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THE FINANCIAL TIMES, June 10, 1975

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# FINANCIAL TIMES

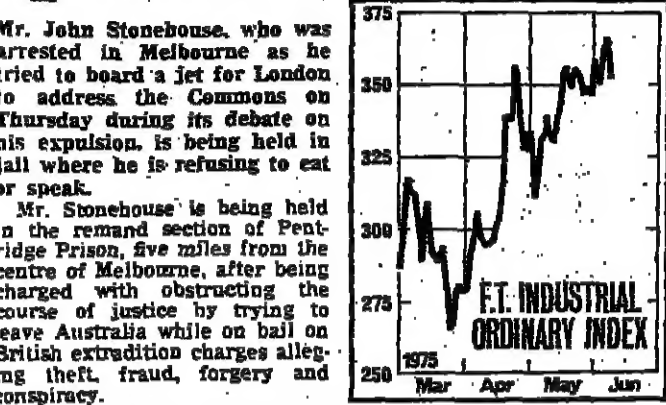
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## NEWS SUMMARY

**Stonehouse back in jail**  
**Now he won't eat or speak**  
Mr. John Stonehouse, who was arrested in Melbourne as he tried to board a jet for London to address the Commons on Thursday during his debate on his expulsion, is being held in jail where he is refusing to eat or speak.



His wife said in London that a hunger strike would be no hardship for Mr. Stonehouse as he had gone a week without eating at home as a form of health control.

**Cambridge rape charges remand**  
About 50 women ran down a Cambridge street, screaming abuse at Peter Samuel Cook, a 5 feet 4 inch van driver, as he was led into court to be remanded in custody for eight days, charged with seven offences of rape, one of attempted rape and one of wounding.

**Peace mandate for Mid-East**  
Israeli Premier Yitzhak Rabin leaves for Washington today with a Cabinet mandate to pursue another interim peace agreement with Egypt. On the eve of the visit to Amman by President Hafez Assad, possible military co-operation between Syria and Jordan has been emphasised in statements by leaders of both countries.

**Pub bombings 'were revenge'**  
An IRA squad killed 21 people in two Birmingham pub explosions to avenge a fellow bomber who blew himself up, the prosecution alleged at Lancaster Crown Court when the case against nine alleged IRA men opened amid the strictest security measures the U.K. has seen.

**Cowdrey to quit**  
Colin Cowdrey, 42, one-time captain of Kent and England and scorer of most catches in Test matches, is to retire from first-class cricket at the end of the season.

**Catholic choice**  
The Conference of Italian Bishops has avoided endorsing the Christian Democrats as the party for Catholic voters ahead of next week's regional and local elections.

**Rescue funds**  
New York City has been saved from technical bankruptcy and debt default. A new State agency will buy up most of the city's short-term debt and re-issue longer term bonds under its own name.

**Daylight robbery**  
A man who bought a suitcase at a Cologne department store walked into the manager's office, threatened to blow up the store and get away with DM1m. (about £183,200) in banknotes.

**Crash deaths**  
Two brothers and the wife of one of them died when their car plunged down a gully and burst into flames on the West Kilbride to Dalry road in Strathclyde. Two men died after a coach driver was thrown through the windshield when his vehicle crossed a central reservation at Halesowen, Worcs.

France set off its first underground nuclear explosion in the South Pacific on June 5, the Defence Ministry stated. Eighty-year-old Bryan Latham of Treborth, Cornwall, has been awarded a BA degree by the Open University.

**CHIEF PRICE CHANGES**  
(Prices in pence unless otherwise indicated).

Carless Capel	60 + 5
Godfrey Davis	34 + 6
Gunn (A.)	50 + 14
Hartle Machinery	281 + 31
Macfarlane Group	92 + 7
Petrow Bids	102 + 12
York Trailer	32 + 6
Crosby House	101 + 9
Silvermines	67 + 3
Vulcan Minerals	20 + 7

**FALLS:**

Treasury 3% 1979	57 1/2 - 1
Associated Eng.	59 - 4
Assoc. P. Cement	151 - 7
Baird (W.)	67 - 7
Disasters	142 - 7
English China Clay	73 - 6

**RISKS:**

Glaxo	448 - 12
GUS "A"	192 - 7
GKN	354 - 12
Hambros Bank	145 - 10
Long John Int.	137 - 12
Lyons (J.) "A"	158 - 12
Marks & Spencer	241 - 9
Pearl Assurance	212 - 8
Pilkington Bros	197 - 15
Ready Mix Concrete	63 - 5
Royal Insurance	330 - 12
Sun Alliance	423 - 15
Tate & Lyle	235 - 11
Tube Invs.	296 - 8
Waters	141 - 5
Wimpey (G.)	127 - 5
Wage Grp.	14 - 4
Guthrie	225 - 17
Elstour	385 - 30
Gold Mines Valgrite	155 - 20
Malayan Tin	195 - 12
Pres. Stern	416 - 11
Western Hids.	235 - 21

## Manufacturers plan 15% less capital spending this year

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

Manufacturing companies in the U.K. are expecting to invest 15 per cent. less in new buildings, plant and machinery this year than they did in 1974, according to a survey just conducted by the Department of Industry.

If this prediction is fulfilled, the country will experience one of the sharpest reductions in manufacturing investment in post-war years. The Department of Industry stated yesterday that "the extent of this fall implies a steeply falling trend through 1975, at a rate not previously experienced."

Moreover, so far as can be judged from manufacturers' plans at this stage, there are no indications of any upturn in capital expenditure during 1976, when the volume is expected to be "of the same order as in 1975."

This sharp downturn is projected for a period during which Mr. Denis Healey, Chancellor of the Exchequer, was hoping there would be significant increases in U.K. industrial investment so that companies could be ready for the next revival in world trade.

In addition to the squeeze last year on industrial profits and liquidity, and the poor demand prospects this year, manufacturing investment plans are being hit by the widespread uncertainty attached to present and potential U.K. rates of inflation.

The DI survey certainly underlines some of the fears about the industrial investment picture which have been raised by Mr. Anthony Wedgwood Benn, in-

flationary pressure, too, in recent months has been particularly marked in the public sector, and in services, and will show up more prominently in the retail price index rather than wholesale prices.

On the raw material side there was some easing last month in the prices paid by the food manufacturing industry, as a result of lower prices for imported vegetable oils and oilseeds, cereals and tea. On average material prices for the industry fell by 1 1/2 per cent.

But the further devaluation of the pound against the dollar during May was the main factor behind a 1 1/2 per cent rise on average in material and fuel prices for the rest of industry, after a long period since the end of last year when material prices had, on average, changed very little.

However, they do point to the EEC referendum result as a boost to confidence in sterling by removing one major uncertainty. This, according to one authoritative source here, has been especially the case with Middle Eastern oil countries.

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French to rejoin Snake next week, Page 6  
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recession, while the squeeze on company profits meant that investment had fallen back sharply.

It was unlikely, he said that a proper upswing was around the corner to take the industrialised countries back to full employment in the near future.

The other major theme of his address was a plea for an increase in exchange market stability and, above all, between the two dominant zones, the EEC and the dollar area.

Stressing that he did not mean a return to a par value system which was impossible with inflation at its present pace, Dr. Schmidt said that links between France and Switzerland with the "snake" would also be a step towards greater monetary order.

The two blocs should then work together more closely both

with monetary policy co-ordination and perhaps with more stringent common exchange controls so that exchange rate movements might reflect better the underlying "fundamental" disequilibrium.

In private, leading Central Bank Governors stress that it is now up to Britain to find a solution itself to its problems and that outside aids in the form of credit or loans would serve no useful purpose.

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## Rise of 2 3/4% in wholesale prices

By William Keegan.

THE AVERAGE wholesale price of goods leaving factories and warehouses jumped by 2 3/4 per cent. during May, to a level 25.7 per cent. higher than a year ago.

Announcing this yesterday the Department of Industry emphasised that most of the May increase was attributable to the increased excise duties introduced in the April Budget on tobacco and alcohol.

But for the Budget increases the output prices index would have risen by 0.5 per cent., the smallest increase for 18 months, the DI stated.

The Budget tax increases were, of course, an important aspect of the Government's anti-inflationary measures.

In terms of presentation, this way of phasing off purchasing power has a dramatic effect on the price index, as will be apparent again later in the week when the more politically sensitive retail price index is published on Friday.

But while such fiscal attempts to deal with inflation have the unfortunate appearance of making it worse, it would be a mistake to put too much emphasis on the apparent slowdown in the rest of the wholesale price index during May.

There is every indication from the course of wage rates and pay settlements in recent months that the underlying inflationary pressures in the U.K. economy remain alarmingly strong.

Inflationary pressure, too, in recent months has been particularly marked in the public sector, and in services, and will show up more prominently in the retail price index rather than wholesale prices.

On the raw material side there was some easing last month in the prices paid by the food manufacturing industry, as a result of lower prices for imported vegetable oils and oilseeds, cereals and tea. On average material prices for the industry fell by 1 1/2 per cent.

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## Now to play a full part in Europe—PM

BY RICHARD EVANS, LOBBY CORRESPONDENT

MR. HAROLD WILSON yesterday pledged Britain to play "a full and constructive part in all Community policies and activities" following the conclusive referendum decision that the U.K. should remain a member of the European Economic Community.

Reactions to the Prime Minister's historic Commons statement which was cheered jubilantly by pro-Marketers in all parties, showed that leading Labour anti-Marketers have accepted the referendum decision and now intend to campaign actively for Left-wing interests inside the Common Market.

Mr. Wilson made it clear that he would like to see some former anti-Marketers join the Labour delegation that will now attend the European Parliament at Strasbourg. After boycotting the

Parliament since Britain's entry to the Common Market, the Parliamentary Labour Party is expected to give the go-ahead next week for full participation.

The arrival of 18 Labour MPs at Strasbourg—probably at the July session—will mean that the Socialist parties of the Nine will form the strongest group, with a total of 67. Government whips will have the delicate task of choosing a carefully balanced delegation of Left and Right and pro- and anti-Marketers.

One of the Cabinet's most active campaigners against membership, Mr. Anthony Wedgwood Benn, Secretary for Industry said the anti-Marketers declared their unequivocal acceptance of the referendum decision and pledged themselves to work for success of Britain's continuing membership.

In a severe test of his Party that in the future," she added.

Mr. Benn, giving no indication that he expects to be moved from his department by Mr. Wilson in the expected reshuffle, said he also intended to have talks with his opposite numbers in all EEC countries to discuss industrial policy in general and steel and regional development in particular.

The Prime Minister, who had outlined the terms of his statement earlier to the Cabinet, told MPs that what had impressed everyone in the referendum had been the high turnout and the "clear and unmistakable nature of the decision," plus the consistent pattern of positive voting around the U.K.

"The debate is now over," he declared. "The historic decision has been made. I hope that this House and the country as a whole will follow the lead which the Government intends to give in placing past divisions behind us and in working together to play a full and constructive part in all Community policies and activities."

Mr. Margaret Thatcher, Conservative leader, after praising the part played by her predecessor, Mr. Edward Heath, in the referendum campaign, said it was now vital that the Prime Minister should take the necessary steps to restore business confidence and deal with the country's economic problems. "I would expect to hear more on that in the future," she added.

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# Aldeburgh Festival

Aldeburgh opened on Friday with joyful sun and royal skies. This caused the locals to worry about the lack of rain for spring corn, and has not entirely obscured a nagging worry for Aldeburgh and its faithful visitors, concerning the lease of the Snape Maltings, Britain's most pleasant and versatile concert hall.

Meanwhile this is a comparatively quiet festival, with no new English Opera Group productions, but a couple of recitals by Richter and a modest new orchestral suite by Britten next Friday. Peter Pears is busy as ever (sketchy in voice, but artful as usual) singing in recital, even sharing in the programme the endearing diary he kept during *Death in Venice* at the Metropolitan. (We await his autobiography more than that of any other British musician.)

Aldeburgh's box office seems very healthy: one seat for the price of two more likely than two for the price of one — pace Glyndebourne. Prices are low — average top £3 to £4.

The opening concert on Friday was bravely planned. Not one of those large attractions, but a modest, interesting Jubilee Hall evening of chamber music in Aldeburgh's traditional "Publisher's Choice" format, featuring the House of Novello. Peter Pears opened the concert with a long Purcell pastiche, *Three Good to tender a regard*. Rather a plodding piece, arranged for the occasion as a tenor solo because Vincent Novello acquired the manuscript for his 1838 *Complete Sacred Music of Purcell* from the Rev. James Pears of Bath, our host's great-grandfather.

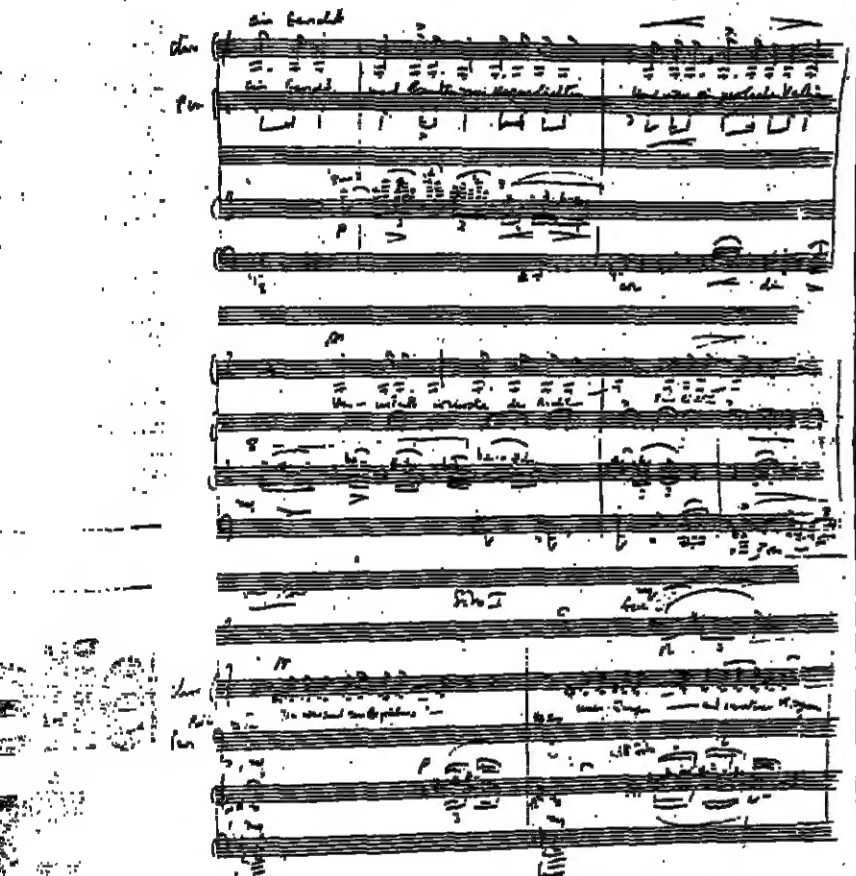
Sterndale Bennett and Pears represented lovely Victorian Pears's choral rambles as still practised by most organists over 50 during the Matins collection. With more than a little irony, Mr. Pears rejected his second Pears song in favour of a stirring number, "To Anthem," the most famous song by John Liptrot Hatton (died 1888), much favoured by the 19th-century baritone Charles Santley. This was probably not published by Novello, and to tell the history of Novello properly, one would have to include a considerable number of works not published. Also to chart the days before the Performing Rights Society, when money-spinners like *Salut d'amour* were bought outright from the composer for a piper.

But Novello has recently become a more adventurous house — just in time, for the Elgar copyright expires in 1984. Ralph Holmes and Anthony Goldstone played Elgar's Violin Sonata, Elgar as the English Brahms, oblivious of *The Rite of Spring*. Goldstone played Bliss' last work for solo piano, *Trystach*, written in 1970, not the heart of Bliss, frankly; rather like blustery Medtner.

Novello has fared better in the past couple of years with younger composers, and particularly with John McCabe whose horn trio ended the programme, played by Mr. James. *Enchanted Dance Movement*, this is a 23-minute piece tight with rhythmic vigour and deft imagination in a candid, astutely melodic idiom. McCabe announces his material very clearly, making bold use of the horn's grim, grotesque character when combined with violin and piano, and also of that lovely, useful quality acquired by Britten in his works for horn and tenor.

Richard Rodney Bennett has recently moved from Universal Edition to Novello, and was presented by the premiere of an elegant 15-minute piece for counter-tenor with lute interludes and accompaniment. Four English texts, ranging from Dryden to Sitwell, as word setting, distinctly English in idiom, the voice however is occasionally reaching out for an octave, ninth or seventh, like early Britten and Walton. The late provides only a fragile support, often no more than a gentle chord; and the piece needs impeccable pitch to make its full effect. James Bowman sounded slightly uncertain, but given a couple more performances should be well pleased with this cool-headed work, and especially its effective morose ending.

GILLIAN WIDDICOMBE



Britten's manuscript of "Children's Crusade," with illustrations in colour by Sidney Nolan, published by Faber Music. 300 numbered copies of this, autographed by Britten and Nolan, are available at £50.

## Handel Opera Society

The band of *oppositional* intent on proving to a previously unconvinced musical world that Handel's dramatic works are living theatrical experiences and not dead exhibition pieces is now 20 years old. Its birthday, celebrated on Friday at a Festival Hall, followed a scheme of highlights from the more familiar of the masterworks, with three singers who have done (and been done by) the Society splendid service, the musical director and president to share the conductor's post, and the HOS Chorus and English Chamber Orchestra on which to base the proceedings. It was the all-Handelian equivalent of a Jones trumpeted Tridates' big Grand Vocal Concert; and if it was rather a long evening, with perhaps one aria too many for each soloist (from *Alcina*, *Rodelinda*, *Radamisto*, and *Scipione*, among others), it was also an evening of delight, beautiful singing, and the abundance of moods, colours, tones and humours that one of the greatest and most all-embracing of musical dramatists knew how to convey.

One of the singers, Lois McDonald, was an unexpected though very welcome guest, stepping in for the indisposed Elizabeth Harwood as handsomely as she had done into the Society's *Atlantida* production in 1973. After the opening *Acis Overture*, in which Charles Farncombe obtained some deliciously springy playing, she sang a expressive verse in the middle of the "Pleasures of the plains" chorus, and then proceeded to a largely phrased, pathetic and finely-shaped account of *Alcina's* mighty *Ahi mio cor*. Miss McDonald's sense of style is impeccable, her enunciation less so and the occasional notes clouded over; but in two arias from *Solomon* she was unaffected and true, matching (in the second, "Will the sun forget") her tone to the extraordinary instrumental colour given by

oboe and flute in unison. Miss McDonald had earlier taken part, with Richard Lewis her Jupiter, in the excerpt from Act 2 of *Semele* (in which she had been one of the few saving graces of that wretchedly mis-guided Coliseum production a while ago). For many people Mr. Lewis's most of her voice heard singing "Where'er you walk" in their imagination, and though on this occasion he did so with less than former bloom, the vocal distinctness and clarity and the unexaggerated eloquence of diction were still there to remind one of a great Handelian tenor. He and Philip Jones trumpeted Tridates' big Grand Vocal Concert; and if it was rather a long evening, with perhaps one aria too many for each soloist (from *Alcina*, *Rodelinda*, *Radamisto*, and *Scipione*, among others), it was also an evening of delight, beautiful singing, and the abundance of moods, colours, tones and humours that one of the greatest and most all-embracing of musical dramatists knew how to convey.

Janet Baker, third and most acclaimed singer of the evening, was not in best form in three each of arias as the titular heroes of *Orlando* and *Arionides* — there were unusual touches of chalk in the vocal projection. With Sir Anthony Lewis (there as reminder of past triumphs the two shared in Handel), she nevertheless conspired, through the force of her declamation and to unstinted passion of delivery, to convince one otherwise. Ariodante is one of Handel's finest roles, and the three arias presented here encapsulate something of its depth and specificity of characterisation — blithe in Act 1, grand in remorse in the Act 2 plaint "Scherza indaga", exultant at the end of Act 3, Miss Baker encompasses every strain of feeling even when tone is not ideally full, and by the third Act aria "Dopo notte" she had mastered problems enough to fling out the display with sparkling lightness. This was the high point of an evening full of causes, as the past 20 years have been, for praise of the Handel Opera Society's achievement.

MAX LOPERT



Mea Venema, Jeanne Solan, Jon Benoit and Harmen Tromp in the N ederlande Dans Theater's "La Cathédrale Engloutie", in their opening programme at the Sadler's Wells Theatre last night

# French furniture at Waddesdon Manor

by DENYS SUTTON, Editor of Apollo

The taste for eighteenth century French furniture forms one of the most brilliant chapters in the history of English collecting — that is to say, in the history of the collecting of the past. It looks as if it is coming to an end in view of the proposed wealth tax and other measures dictated by the philistinism and envy of the Left.

In the eighteenth century a Paris dealer such as Dominique Daguerre formed a number of English clients including the Dukes of Bedford and Northumberland and Earl Spencer. But the main period when the delectable products of the well organised French furniture trade were collected in England occurred as a consequence of the French Revolution, when quantities of the finest examples came into the market.

One of the main buyers was George IV who had an excellent eye and was well advised. He was by no means the only Englishman to take advantage of a situation when it was possible to acquire remarkable pieces at modest prices. Although many of the treasures bought then have now left the country, England still possesses some remarkable pieces — those belonging to HM the Queen, and the Wallace Collection and at Waddesdon Manor. The last mentioned collection was given to the National Trust by the late James de Rothschild.

The outstanding furniture at Waddesdon, which is mainly French, forms the subject of an exemplary catalogue by Geoffrey de Bellaigue, the Surveyor of the Queen's Works of Art, who may be said to have established his reputation with this grand publication.

It is a two-volume work, rich in illustrations in both colour and black and white. It has been published by the Office du Livre for the National Trust at a price of about £50 — the price quoted in Swiss francs depends on the fluctuations of the foreign exchange market.

Most of the furniture was acquired by Baron Ferdinand de Rothschild (1839-1896), but other important items were secured by his sister Miss Alice de Rothschild.

child (1847-1922) and his first cousin, Baron Edmond de Rothschild (1845-1934). Baron Edmond's collection was inherited by his son James de Rothschild.

Baron Ferdinand and Baron Edmond were collecting at the same time — that is to say during the years after 1870, when a growing number of outstanding pieces became available. Baron Ferdinand, who had a keen sense of history, considered that three main factors favoured his pursuit of the Louis, while at the same time adapting them to modern requirements. This is largely speaking true and a visit to Waddesdon Manor provides a glittering introduction to the art of the ancien régime. There can be seen some of the masterpieces of such as Cressent, Carlin and Rieseener, craftsmen of the highest rank.

Mr. de Bellaigue has long made mastery his special subject and the section about this aspect of furniture-making is most informative. It is fascinating to see how the use of prints gave a visual character to furniture. It is tempting to wonder if the use of floral motifs forms one of the sources for Art Nouveau. In any event the continuity of design in French art is notable and is emphasised by the skilful manner in which bronzes d'ameublement were made in the 19th century.

The author deserves warm congratulations on a magnificent work of scholarship. He has spared no pains digging out fascinating information from archives and sale catalogues. The result is a book that is more than a catalogue; it is one that provides unusual and interesting information about the social and artistic life of the period. In fact many of the entries are short essays in their own right, such as describing the Beau-marchais desk. He also supplies a useful appendix concerning the dealers of the day such as Daguerre, Lazare Duvauy and Poirier.

Many of the choicest pieces in the collection once belonged to members of the French royal family and the details about their ownership are intriguing. The author has also made good use of French memoirs, notably those of Madame d'Oberkirch. In doing so he follows in the footsteps of Baron Ferdinand who correctly wrote in his book *Personal Characteristics of French History* (1896), "the memoirs and letters of that period are still a source of unceasing delight. Their style is exquisite, they are replete with information concerning the history, politics and customs of the period."

Baron Ferdinand did not entrust one dealer with the task of building up his collection. Like Lord Hertford, he was in command of operations and selected his purchases. He knew personally many of the owners who were compelled to dispose of their possessions and their pang in selling must have been in some ways assuaged by the knowledge that they were going to a true collector.

Baron Ferdinand pointed out that his family was the first to revive "the decoration of the eighteenth century in its purity, reconstructing their rooms out of old material, reproducing them as they had been during the



Roll-top desk attributed to J. H. Riessener, probably made for Mme. Adelaide, one of Louis XV's daughters

## Russell Heritage at Woburn

There will be an exhibition of rare treasures at Woburn Abbey from July 4-11 as a contribution to the European Architectural Heritage Year. It will include a number of pictures not usually on view to the public, and a collection of archives, royal charters, old maps, prints and drawings. There is a series of paintings showing how Covent Garden (built for the Earl of Bedford in 1635 and owned by the Russells until 1914) has changed over the past three centuries. The original plans of Bedford Square will be there, with Gainsborough's portrait of the Duchess of Bedford who planned it in 1773.

Cole and Son have mounted an exhibition showing the history of wallpaper since Henry VIII's time, and Kodak has supplied 250 photographs of British architecture.

## Battersea Park

# Makarova and Dowell

by CLEMENT CRISP

The Giselle in the Royal Ballet's tent on Saturday night seems to me one of those rare occasions when a performance transcends every circumstance, and a work of art is reborn. No matter that we were under canvas, that scenic effects were less than ideal, Natalia Makarova and Anthony Dowell brought such passion, such physical grace to their roles, they responded to each other's playing with such sensitivity, that the old ballet lived as if new-made for them.

That Makarova is a uniquely gifted dancer is a commonplace, but I am more than ever convinced that her greatness lies not just in her use of an exquisite physical instrument, or in her dramatic-expressive power, but in something finer even than these. Hers is that ultimate genius of the performer who can show us the inner life, the very soul of a character.

In the first act of *Giselle* her peasant girl is shy, tender — as are many other interpreters' readings. But Makarova suggests how Giselle exists most intensely in a private world of love offered and reciprocated in which she and Albrecht are isolated from the mundane surroundings of village life. With Albrecht her shyness soon melts into radiant happiness; she glows with joy, and Dowell's Albrecht, at first slightly amused by her flirtation, is soon entranced with her.

Away from Albrecht, in the "real" world, Giselle is sweetly innocent, and the dancing conveys just this lyric prettiness so that even the virtuosos hops on point in the first act solo are made to seem artlessly charming. But it is the intensity of the inner feelings that heightens every step, every response later in this act. Her approach with the fateful sword makes Makarova draw back sharply from his touch; disbelief sends her flying to Albrecht's arms for reassurance and safety.

The onset of madness is an attempt to return to her private world of happiness, but is shown to us now as a nightmare place. The hands that once plucked the flower petals so lightly tear dementedly at the air, and the flight from memory is an agonised dash through the encircling crowd. At every moment Makarova compels belief. And so does Dowell. More than any Albrecht in my experience, he makes us aware how the young man lives on the edge of fear of discovery, and how his passion for Giselle is stronger than he has realised. With Giselle dead, Dowell's outburst of fury with Hilarius, and his own grief, were marvelously apt in psychology and expression.

The second half of *Giselle* is a mirror image of the first: the girl destroyed by Albrecht must now save him from destruction. The link between the acts is Giselle's literally undying affection, and Makarova becomes the incarnation of protective love. It is in her work of scholarship that the full splendour of her dancing can be appreciated. From the moment she is summoned from the grave and the weight of earth is removed from her, Makarova's Giselle is a being of the air. The incomparable lightness, the dancing that passes beyond technique, present us with a Willi barely poised on the ground.

It is, on its most mechanical terms, a matter of a torso majestically taut, "pulled-up", of a plié that melts into the ground as the body drifts down from a leap; of soaring elevation, and of phrasing that gives us not mere sentences but paragraphs of movement. It is steps taken high and airy; arms that drift and hover over the exhausted Albrecht. More importantly it is a matter of a supreme dance intelligence that can make poetic illusion real for an audience, making the impossible true for us.

Dowell's Albrecht is in every way as fine. The haunted youth who brings the grave is the embodiment of Romantic passion; standing in the protection of the cross, his hands sketch the outline of Giselle's arms as if they were impalpable. The ardour and suffering of his leaps in the solos are the perfect realisation of the frenzy that Gautier called for in his original scenario. The leave-taking is magically right: it is as though Albrecht had imagined Giselle's presence throughout the scene and now wakes from a dream of the night's terrors. And at curtain-fall we are left with a sense of gratitude and joy; in performances such as these ballet's classic inheritance is still living and vital.

## June calendar for Jazz Centre Society

American pianist Dick Wellstood will be appearing at the Seven Dials Station, W.C.2, on Thursday June 19 at 8.30 p.m. He will be playing solo piano. On the following Tuesday at the Round House, the Mike Westbrook orchestra will play its first London concert of 1975. It is one of several bands giving in June and July in venues as far apart as Plymouth and Newcastle.

Further details about June sessions under JCS auspices can be obtained from the Society at 12, Carlton House Terrace, London, S.W.1. (930 4261.)

## The London Museum closes

The London Museum at Kensington Palace has closed to the public. It was opened by George V and Queen Mary in 1912. In 1913 it became a National Museum under Treasury control, although its character has always been that of a local history museum for London. Together with the former Guildhall Museum, the London Museum of London, in new premises in London Wall, E.C.2, at the end of 1976.

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- HEVAC-76, International Heating, Ventilating and Air-Conditioning Exhibition, April.
- IPHEX International Pneumatics and Hydraulics Exhibition, May.
- IEA-ELECTREX 76, The International Electrical Electronic and Instrument Exhibition, 3-7 May.
- Surface Treatment and Finishing Show, May.
- International Laundry, Cleaning Equipment and Services Exhibition, June.
- International Watch and Jewellery Trade Fair, September.
- MACH-76, International Exhibition of Machine Tools, Gauges and Tooling, September/October.
- International DACTEX, Domestic and Contract Textiles Exhibition, October.
- Public Works and Municipal Services Exhibition, November.
- Offshore International Exhibition and Conference, December.
- HEDA The International Home Electronics and Domestic Appliances Exhibition, 23-27 May.
- GREMA PUBLIC EXHIBITION 28-31 May.

For information tick the appropriate boxes and return to: The Commercial Manager, National Exhibition Centre, P.O. Box 2650, Birmingham B15 30M, England.

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## National Exhibition Centre BIRMINGHAM



## WORLD TRADE NEWS

## ICELAND'S FERRO-SILICON PLANT

## Getting away from fishing

BY WILLIAM DUFFLOR, RECENTLY IN ICELAND

UNION CARBIDE of New York has just signed an agreement with the Icelandic Government for the construction of a \$68m. ferro-silicon plant at Grundarfjörður on the coast north of Reykjavík. It will be Iceland's second major industrial project, following the commissioning in 1960 of the Alusuisse aluminium smelter at Straumsvík, south-west of the capital. The Government plans to attract further power-intensive undertakings to Iceland during the next two decades in a programme to develop the country's vast, unexploited hydro-electric resources, and to diversify the economy away from its dependence on fishing.

The U.S. corporation and the Government will form Icelandic Alloys with an initial share capital of \$24m, of which the Government will subscribe 50 per cent. In Icelandic kronur, Union Carbide will get shares worth \$2.2m, in exchange for its technological know-how contribution and will therefore pay in cash only \$7.6m, for its 48 per cent. of the equity. It is estimated that credit financing of some \$60m. will be needed.

The plant will be designed for an initial annual capacity of 45,000 tonnes 75 per cent. ferro-silicon and related products and should be commissioned early in 1977. It will consume about one-third of the power from the 150-MW Siglufjörður hydro-electric plant now being built by Yuzvich plant and the earlier 210-MW Burfell plant.

For domestic political reasons attention is being switched to the north, where work will start this year on a 55-MW geothermal plant with a connection to Akureyri, Iceland's second largest town. The next major hydro project is also likely to be in the north, on the Bláa River, if the National Power Company's proposals are accepted. The company's current computations provide for a doubling of Icelandic consumption on the general market from the 1973 level to 5,000 kWh per person per year by 1985, bringing the country to the present level of such high energy consumers as Norway and Sweden. Expansion on this scale would offer some 800 Giga-watt hours (1 GWh=1bn. watts) per year for the use of power-intensive industries after the completion of Hrauneyjafoss in 1978, 1,600 GWh after the commissioning of the Bláa River project and a total of 2,000 GWh by the middle of the next decade, if the Thjorsá River development continues and a second geothermal station is built in the south at Geysir.

There has been increasing foreign interest in utilising Iceland's energy potential for power-intensive industries, in particular from the other Nordic countries. Mr. Jóhannes Nordal, chairman of the National Power Company, has posited the construction of a 50-60,000-ton aluminium smelter consuming 800,000 GWh a year at Eyjafjörður in the north, in connection with the Bláa River development. Norak Hydro is among the companies which have started to investigate the opportunities available in Iceland.

## Criticism

The Union Carbide agreement has been criticised on environmental grounds and by opposition politicians who object to the import of foreign, particularly American, capital, but the National Power Company is planning a further expansion of the country's hydro-power system, including a 132-kW power line linking the Reykjavík area with the north of the country, which would allow for the introduction of more power-intensive projects based on the import of raw materials to Iceland for processing and re-export. Tender documents have already been prepared for a power plant at

Hrauneyjafoss, a third stage in the development of the Thjorsá River, following the Siglufjörður plant and the earlier 210-MW Burfell plant.

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## Energy

The National Power Company estimates that its development programme would demand an average annual investment of some 1kr.8bn. (\$22.8m.) during the 1975-79 period and 1kr.9bn. a year during the next five years. Money on this scale is not available in Iceland and the country's present unfavourable balance of payments puts it at a disadvantage in foreign credit markets, but a significant plus factor is the high return in foreign earnings which could be anticipated. Mr. Nordal believes the country's net foreign income from power-intensive industry could reach 1kr.7bn.8bn. at present cost level by 1984, if the development programme is carried out.

## India worried by big fall in key textile exports

BY D. P. KUMAR

NEW DELHI, June 9.

TEXTILE exports from India have been declining rapidly since December. Exports in that month totalled Rs.238m. and they fell to Rs.180m. in March and further to Rs.120m. in April. In 23 days of May, textile exports were worth only about Rs.80m. The Government had set a target of Rs.400m. for the current year, which meant a monthly average of Rs.250m. In no month have textile exports touched this figure since January.

The decline is attributed to

severe competition from countries like South Korea, Taiwan and Hong Kong. Brazil is a new entrant into this field and has set up a big production base for cotton textiles. Since these countries do not have a sizeable domestic market, as India has, they have been giving various incentives for exports which are difficult for India to match. Yet, since textile exports account for about 10 per cent. of the country's total foreign exchange earnings, the Government has to act quickly to arrest the fall. The Cabinet Committee

on exports will meet on June 12 to adopt measures to make Indian textiles competitive.

Since cotton prices in India are higher than world prices, there is a proposal to supply raw cotton to exporting mills at international prices. Last week, the Government abolished the export duty (Rs.900 per tonne) on hessian to enable Indian hessian to compete with synthetics in world markets, especially Canada and the U.S. This was the second concession given by the Government to the jute industry.

## Big rise in W. German exports to OPEC seen

FRANKFURT, June 9.

GERMAN exports to Organisation of Petroleum Exporting Countries (OPEC) could rise 30 per cent. to DM16bn. this year, Deutsche Bank AG Board member Hans Otto Thierbach said here.

He told journalists such a rise could help offset an estimated 10 per cent reduction in German exports to industrial nations to DM140bn.

Trade between East Germany and the U.K. in 1975 will rise between 40 and 45 per cent. compared with last year when it rose about 85 per cent. East Germany's Ministry of Foreign Trade Secretary Gerhard Bell forecast.

He said in an interview during a visit by a trade mission to Britain last week that East Germany's next five-year plan covering 1976 to 1980 will be ready in November or December. He said about 25 per cent. of East Germany's foreign trade is with non-socialist countries, trade between western and socialist countries will increase with reduction of tension following the European Security Conference, he added.

Mr. Bell said the trade mission had talks with U.K. companies including the British Steel Corporation, Imperial Chemical Industries, Guest, Keen and Nettlefolds, and the Parliamentary Under-Secretary of State for Trade, Mr. Eric Deakin.

## Australia has surplus balance

By Kenneth Randall

CANBERRA, June 9. PRELIMINARY trade figures for May show a favourable trade balance of \$A157m, making the cumulative surplus for the first 11 months of the financial year \$A391m.

Exports for May were \$A802m, the first time they have exceeded \$A800m. In a single month, imports were \$A645m. But in seasonally adjusted terms, compared with April, exports were down 12.3 per cent. and imports down 6.5 per cent.

Meanwhile Australia's Overseas Trade Minister, Mr. Frank Crean, will have further talks in Brussels this week on access for Australian beef to the E.E.C. Mr. Crean has left Canberra to attend the I.M.F. Interim Committee meeting in Paris, starting tomorrow, and the Brussels talks will follow. On the way home, he will visit Seoul and Manila to sign new trade agreements with South Korea and the Philippines.

## AMERICAN NEWS

## Ford ahead of Kennedy in latest election poll

BY PAUL LEWIS, U.S. EDITOR

WASHINGTON, June 9.

PRESIDENT FORD's political fortunes are on the mend. For the first time, the polls now give him a chance of beating Senator Edward Kennedy — his strongest democratic rival in next year's Presidential elections.

The latest Harris Poll published this morning, reverses all its previous findings to put the President ahead of Senator Kennedy by 46 per cent. of the vote to 46 per cent. in a trial heat for the 1976 White House race.

Moreover, the poll also delivers a blow to Governor Ronald Reagan's hopes of snatching the Republican nomination away from President Ford next year, in a revolt by the party's conservative wing. It shows that Governor Reagan trails Senator Kennedy by 40 to 53 per cent. in popular following and would have less chance of holding the White House than President Ford.

Of course, Senator Edward Kennedy has insisted innumerable times that he has no intention of standing in next year's elections and that he would not accept the Democratic nomi-

nation, even if it were offered to him. But he remains by far and away the most popular leader the Democrats have, and anyone else seems likely at present to put up even weaker showing against the incumbent President.

The very fact that the pollsters are continually measuring Senator Kennedy's standing in the country, however, shows how widespread is the belief that he will eventually be prevailed upon to take up the mantle of leadership left by his more famous brothers — despite all his protestations to the contrary. The new poll shows that the President is edging ahead of him, must make the Democratic leadership even more despairing about any of the party's other would-be candidates.

For President Ford, a two point edge over Senator Kennedy not only reverses the trend of the past few months, but it also suggests that his recent political "successes" are beginning to affect his standing with the nation as a whole. The

Harris Organisation believes that its latest findings reflect the popularity of the President's strong action in the Marague, rescue affair.

But since then the President may have consolidated his position further by his legislative victories over the Congress, and with the publicity which his European tour brought him at home. When all these events are added together, it looks as though the President is starting to emerge as a more forceful leader than he has appeared in the past and that the country is responding to this.

At the same time, of course, the Democratic-controlled Congress is being forced gradually to abandon the hopes it once entertained of governing the country on its own. It has been unable to take the lead on energy and economic policy, while its members are now tending to endorse the administration's foreign and defence policies for fear of adding to the damage Vietnam has done to America's reputation as an ally in the world.

## New York rescue plan agreed

BY JAY PALMER

NEW YORK, June 9.

NEW YORK City's rescue from debt default and technical bankruptcy is now assured. After a week-end of intense talks and a mere two days before the city was due to run out of cash, Mayor Beame this morning announced that city and State officials had finally agreed on a compromise version of Governor Hugh Carey's rescue plan.

"We have come up with a formula acceptable to both the city and the State," Mr. Beame said. "Legislation to create the Governor's proposed New State agency, the Municipal Assistance Corporation, will shortly be presented to both city and State legislatures."

Under the scheme, the State-dominated "Big Mac," as it has come to be known, will buy up most of the city's debilitating short-term debt and re-issue, under its own name, longer-term bonds. The disagreement between the State and the city had centred on the degree and extent of financial authority that this new agency would have over the city.

Over the week-end, however, the major stumbling-block was eliminated when city officials accepted State demands that the city's prime sales tax revenues be placed in a new agency, the Municipal Assistance Corporation, for its borrowings.

Although the final terms of today's compromise remain unclear, it is assumed that State officials in their turn have agreed to give up demands that the "Big Mac" have day-to-day financial authority over the city. Mayor Beame this morning stressed that Mac "would not have any veto power over city borrowing or spending plans. However, this does not specifically rule out major limitations on the city's future borrowing and spending patterns of the kind demanded by leading city creditors fearful that the cash crisis will reappear in the future."

Even if the current legislation is immediately approved by both the city Council and the State Senate, there seems no

chance that the Mac will be set up and operating in time to help the city to redeem \$72m. worth of notes maturing on Wednesday. Nevertheless, the fact that Mac has now been approved will clear the way for several temporary solutions to be fast-tracked.

With a total Wednesday deficit (including this debt redemption and payroll expenses) of over \$800m, forecast, the city's commercial bank creditors are understandably reluctant to have agreed to roll over debts totalling \$230m. At the same time a State advance of some \$200m. is planned and a Federal Government advance of the same amount has been requested.

THE FIRST indication of any involvement by Mr. Arthur Burns in the Nixon Administration's covert activities is likely to receive further Congressional scrutiny.

According to a report prepared by the staff of the Joint Congressional Committee on Internal Revenue Taxation, Mr. Burns, who is currently Federal Reserve Board chairman, was a catalyst in persuading the Internal Revenue Service (IRS) to establish a secret unit to investigate left-wing groups in 1969. Mr. Burns was then a counsellor to President Nixon.

Mr. Burns is not accused of any wrongdoing, and the Joint Committee is not likely to take any further action on the report. But a House Ways and Means oversight sub-committee, headed by Representative Charles Vanik, hopes to start hearings on the secret unit's activities within the next few weeks. AP-D

CHILEAN inflation, though still at record high level, may be on the decline. The cost of living in Chile as measured by the consumer price index rose by only 15 per cent. in May, compared to more than 20 per cent. earlier this year. Nevertheless, consumer prices have risen a total of 123.5 per cent. in the first five months of 1975, and in the 12 months to May they rose 427 per cent. At the same time Chile's tax receipts have increased considerably.

Economic activity is markedly slowing down. One of the blast furnaces at the Huachipato plant of the State-owned CAP steel plant has been shut down as a result of the lack of domestic demand. INSA, the biggest tyre-making plant in Chile, a partnership between the state development organisation CORFO and General Tire and Rubber of Akron, Ohio, has also shut down for at least a month.

Among other state enterprises to be handed over to private enterprise is Sanituario general cemetery. The Latschewski cement plant, which is reported to have 320,000 tons of unsold coal on its hands, is planning to lay-off a large part of its work force. According to official figures the percentage of unemployment in Chile in April was 13.2 per cent., a sharp rise from the 8.8 per cent. reported in March.

## \$1bn. French loan for Poland

BY LESLIE COLLIT

BERLIN, June 9.

FRANCE is prepared to extend a line of credit to Poland worth about \$1bn., according to knowledgeable trade sources in Eastern Europe. Announcement of the credit arrangement, if it can be finalised by then, could come during the visit this month to Warsaw of the French President, M. Giscard d'Estaing when he makes a three-day state visit beginning June 17.

The credit terms are the key to the agreement: if an acceptable rate has been reached, this has not yet been disclosed. The credit is certain to be tied to large-scale Polish purchases of French products.

Paris is said to be disappointed at the low level of Franco-Polish trade, which amounted last year to Frs.2bn. West Germany has become Poland's leading trade partner in the West and is now second only to the

Soviet Union, with bilateral trade running at DM3bn. France ranks fourth in trade among Western countries with Poland, after West Germany, U.K. and the U.S.

In addition to the possible credit announcement, France is expected to spend a ten-year economic and technical co-operation agreement with Poland similar to other such arrangements between Communist and Western countries.

## Major anomaly in Egyptian foreign investment laws detected

BY MICHAEL TINGAY

CAIRO, June 9.

EGYPT'S FOREIGN investment programme has developed slowly because of an anomaly in Egyptian investment laws which make dividends on joint projects less attractive, it is learnt here from international banking sources.

The anomaly is, in fact, a failure in Egypt's investment Law 43 of 1974 which covers foreign investment to clarify exactly how payments of dividends would be made to foreign investors. An investor making a 50 per cent. contribution in hard currency to a project with an Egyptian partner transferred at the official rate would, as the law stands, receive any dividend on his investment in money exchanged at the higher incentive rates. Varying from day-to-day, Egypt's parallel rates of exchange are approximately \$1=91 piastres at the official rate and \$1=153 piastres on the incentive rate.

Banking circles are worried by the fact that payment of a 20 per cent. dividend in a 50-50 project would be worth 20 per cent. to the Egyptian partner

while the foreign investor would receive his dividend in hard currency exchanged back at the higher rate, thereby giving him an investment return about a third less. A dividend of 20 per cent. would be less than 14 per cent. when actually paid.

If such a state of affairs were continued this would make Egyptian investments a less attractive proposition and difficult for the banker to sell to investors. However, authoritative economic sources, while confirming the anomaly, believed the situation will change in the near future.

## Japan market for machine tools

BY PETER DUMINY

TOKYO, June 9.

THE JAPANESE market still presents great opportunities for exporters of precision instruments and probably many other machine tools, according to two Leicester companies which staged a joint exhibition at the British export marketing centre in Tokyo at their own expense last week. The seven-day exhibition, for which 7,000 invitations were sent out, ended last Saturday.

The companies are A. A. Jones and Shipman (grinding equipment) and Rank Taylor Hobson (measuring instruments), represented in Japan by rival trading companies Nichimen and Teijin

Shoji, respectively. Suppliers of essentially complementary equipment, both firms have been active in Japan for several years. However, by arranging a joint exhibition, each was able to present its products to the customers of the other.

The secret of success in the Japanese market has been top quality products and after sales service, said Mr. David Richardson, a close working relationship with the local agent, including regular visits to the factory in Britain for Japanese engineers engaged in selling or servicing.

## Australia has surplus balance

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## QUEBEC LABOUR

## Safely past a flashpoint

BY ROBERT GIBBENS, MONTREAL CORRESPONDENT

A CRITICAL point in Quebec's turbulent labour relations has been safely passed. The provincial Government of Premier Robert Bourassa has used the Cliche Commission report on the troubles of the construction industry to work public opinion on the side of moderation and to isolate the construction unions grouped in the Quebec Federation of Labor (affiliated to the Canadian Labor Congress) and a minority of employers.

The government has managed to settle the 17-month-long strike at the Pratt and Whitney aircraft engine plant in Montreal. The company is undertaking to take back more than 1,000 workers and the cases of 45 alleged troublemakers were sent to arbitration. In this strike, which several times led to violence, money was not the final issue — but compulsory check-off of union dues from pay packets, the closed shop, the future of "scab" labour, and labour peace to be kept by the parent company in Hartford, Conn.

Yet despite several other difficult problems that will remain to be resolved during the summer, the construction industry has remained the key to the Quebec labour situation. Last year when rival unionists on the James Bay hydro project wrecked their camp. That led to the appointment of the Cliche Commission.

The QFL, led by the bombastic Mr. Louis Labege, represents slightly more than half of union labour in Quebec. It dominates the construction industry. Its resources are much greater than those of the rival Quebec-based Confederation of National Trade Unions. In the mid-1960s, the CNTU appeared to be the most militant group, despite the moderating influence of its leader, Mr. Marcel Pepin. It developed a political ideology on European socialist lines, while the QFL appeared more interested in money in the tradition of the North American international unions.

A bout of separatist terrorism in 1970 brought a marked change in the QFL. Mr. Labege led the group into an uneasy alliance with the CNTU, and both union leaders called openly for the signature of the Liberal-Bourassa Government. Both leaders adopted the kind of activist language that could only lead to confrontation with Mr. Bourassa, his ministers and with the ruling classes in Quebec.

In June 1972, Mr. Labege and Mr. Pepin and the teachers' union leader defied provincial return-to-work legislation for the public service sector and marched off like heroes to jail, but the public was not so inspired and rapidly forgot the whole incident. The riot at James Bay site last year, and a

similar incident at the \$500m. iron ore project of U.S. Steel Corporation in north-eastern Quebec, plus continued trouble at the Montreal Olympics construction site and at major projects such as the Place Des Jarrys (\$170m.) office-hotel complex in Montreal, gave the Government its chance to expose the extreme tactics of the QFL and its construction unions, while letting the CNTU unions off relatively lightly.

The cost of some opposition to the Government itself, the Cliche Commission evidence, gave sure indication of what had been common gossip for several years: that the QFL construction unions were abusing the hiring-hall system, which gives union officials the chance to award jobs, with connivance from some employers, to jack up pay rates and overtime to uneconomic levels. Workers sometimes had to wait for weeks for a job, and union agents several hundred dollars to get a job on a specific project, and even of other malpractices were exposed, including links between some union officials and criminal elements.

The Government immediately placed the construction unions under a three-year trusteeship, and began a licensing system. Then led to an accusation from the CNTU and from the separatist Parti Quebecois that the Government had done an under-the-table deal under which the QFL accepts trusteeship and will guarantee that the Olympics construction programme will be completed on time, in return for the preservation of the hallowed hiring-hall system (common to construction in North America) and a delay in complete reorganisation of the industry under a central office set up by the Government. Mr. Bourassa has strenuously, but not quite conclusively, denied that such a deal existed, however, it is a fact that trusteeship and licensing of contractors have been the only legislative moves so far, lead to confrontation with Mr. Bourassa, his ministers and with the ruling classes in Quebec.

Despite the troubles in the construction industry over the past year, contributing with inflation to the doubling in costs of many big projects including the Olympics since 1972, major build-

ings still do go up at a speed which is evidence of a rate of productivity second only to the U.S. There is every reason to believe that if peace has been won on the construction-site (with whatever promises) the Olympic site, and the major hotels and apartment houses, will be ready by July 1976. The tremendous cost escalation will be reflected in inflated entry fees and hotel-room costs, and a major inflation in the cost-of-living in Montreal next year. Property owners can expect higher taxes immediately after the Olympics.

The construction unions, and especially Mr. Labege, know full well that after the Olympics there will be a construction slump in Montreal of the proportions of the post-Expo crisis that helped to spark the violence of 1968-71. Quebec's unemployment rate now is over 8 per cent. and may well go higher this year — because of the effects of the North American recession. Some smaller manufacturing towns depending on two or three recession-hit industries, north-east of Montreal, have unemployment rates of over 25 per cent. Yet higher unemployment pay, and easier conditions under

which it can be obtained, give higher participation of women in the labour force, have tended to soften the impact. Large families have no question about where increased family allowances came from — the federal Government. People regard welfare benefits as a turn of a coin paid to any citizen of Government and within their rights. The aggressiveness of youth against the "system" has been blunted for the time being.

Several potential problem areas remain in Quebec, particularly a strike of 3,500 asbestos workers not only for more pay but for compensation against the danger of asbestosis and other lung diseases. The Government has been badly faulted for not taking notice of the asbestos industry scare in the U.S. two years ago. It has failed to enforce reasonably safe working conditions in the mines and mills.

If the strike is allowed to go on much longer, it could become another flashpoint. Yet the mood of the people in Quebec and the lower profile being kept by the two big union federations do not suggest that matters will get worse. An upturn in the economy in late autumn could help to ease tensions. The next provincial election is in 1977 or 1978, and despite widespread criticism in the past few months, the Liberal has not been challenged seriously.

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## OVERSEAS NEWS

# Rabin takes Cabinet peace mandate to U.S.

BY OUR OWN CORRESPONDENT

TEL AVIV, June 9.

THE ISRAELI Prime Minister, Mr. Yitzhak Rabin, leaves for Washington tomorrow with a comfortable mandate from his cabinet to pursue another interim peace agreement with Egypt.

At a seven-hour cabinet session that lasted past midnight today, Mr. Rabin succeeded in convincing his fellow ministers not to tie his hands with detailed provisions for his talks with President Ford.

A proposal by four ministers from the Independent Liberal Party to demand a comprehensive plan for an overall agreement with the Arab states was defeated at the Prime Minister's urging. The cabinet thereupon unanimously adopted a resolution authorising the continuation of the step-by-step approach as the most realistic path for progress.

The resolution also said the

Government will not revise its bargaining terms as rejected by Egypt during the abortive Kissinger round of talks last March unless Cairo puts forward new concessions of its own.

Although some compromise is now seen on the pivotal question of the duration of a non-belligerency agreement between Israel and Egypt, several knotty questions remain.

One is the extent of an Israeli pullback from the two strategic mountain passes in Sinai. Mr. Rabin has passed to have told the Cabinet that conceding the eastern half of the passes was inconceivable without a formal peace agreement. Another consideration is the expected Egyptian demand for a parallel settlement with Syria, even though most Israeli officials find an interim formula for the Golan Heights unworkable at this stage.

UPI adds: A communiqué issued after last night's Cabinet meeting said: "In view of the positions of the Arab states with regard to overall peace treaties, the government of Israel regards as a practical possibility to advance towards peace by means of an interim agreement with Egypt through the good offices of the United States."

Most Israeli leaders view the Arab nations' insistence on establishment of a Palestinian state and total withdrawal from occupied territory as major obstacles to an overall peace settlement.

At their talks on Wednesday and Thursday President Ford was expected to inform Mr. Rabin of the latest Egyptian positions as explained to him by President Anwar Sadat at their meeting in Salzburg, Austria, last week.

## MPLA attack was 'pure barbarism'

LUANDA, June 9.

THE PORTUGUESE military command today blamed the latest bloody factional fighting in Angola on the Marxist Popular Movement for the Liberation of Angola (MPLA) and its rival, the Zaire-based National Front for the Liberation of Angola (FNLA).

As an uneasy calm returned to the Angolan capital, where a ceasefire followed widespread fighting, the authorities were still adding to a death toll of at least 200.

Many bodies lay in the streets of Luanda's shanty towns and a final accurate toll seemed impossible to reach.

The Portuguese command said the MPLA led an attack on the offices of the third liberation movement in the factional struggle — the National Union for the Total Independence of Angola (UNITA) — in which the bodies of those inside were horribly mutilated.

The command said more than 10 UNITA members were killed in the recent attack, in which armed civilians also took part. Many people inside the offices, including children, were said to have been injured. Later, "in an act of pure barbarism," several of the corpses were mutilated, the command said.

The command returned to normal today with buses running for the first time in five days. No further incidents were reported here this morning, however a few shots were heard during the night.

However, reports from Malange — Angola's sixth largest city 200 miles east of Luanda — said there had been heavy fighting in the streets over the weekend. The liberation movement authorities and the Portuguese military gave joint orders that anyone attacking mixed forces or refusing to obey orders should be shot on sight.

Reuters

## THAI VISIT TO KUALA LUMPUR

# Malaysian security worries

BY WONG SULONG, KUALA LUMPUR CORRESPONDENT

MALAYSIAN and Singapore leaders see eye to eye about few problems, but one of these is that they consider the Malay Communist threat to be the biggest threat to their national security.

In the present situation, the future policies of Thailand are crucial to that security.

It is in this context that one must therefore view the current visit of Mr. Kukrit Pramoj to Kuala Lumpur — his first overseas point of call since becoming Prime Minister of Thailand two months ago.

Over the years, barring occasional border incidents, Thai-Malaysian relations have been extremely cordial, but the thought of the adjustments that the Thais might undergo in their domestic and foreign policies following the Communist victories in Indochina is now disturbing the sleep of Malaysian diplomats and defence planners.

The Thais, if left to their own devices, are quite capable of looking after themselves in the new Southeast Asia, but what the Malaysians want to tell Mr. Kukrit is to give some consideration to their security interests when making any accommodation with the Communists.

The present mood in Kuala Lumpur is pessimistic. Tan Sri Ghazali, the Home Minister, was in Bangkok in April assessing the views of Thai leaders. He came back with the feeling that the Thais may be prepared to be more accommodating to the Communists than the Malaysians would want them to be.

Tan Razak, the Malaysian Premier, will undoubtedly ask Mr. Kukrit about the future of their border agreements, which have long kept the estimated 2,000 Malaysian Communists on the run, denying them any opportunity to establish permanent control over areas along the border.

The agreements provide for a Malaysian intelligence unit to work at Songkhla in south Thailand, an exchange of information about the Communist joint border operations, and for troops to be allowed to enter 5 miles into each other's territory if pursuing guerrillas.

These arrangements have longer living along the border, or

head of the party. These rumours are contradicted by the Voice of the Malayan Liberation, a clandestine radio station which acknowledges Chin Peng as the party's Secretary-General in its broadcasts.

Contrary to expectations, so far there are no signs that the split has weakened the Communist movement. All three groups are pro-Peking, and ironically, the split has led to a resurgence of Communist activities with each

land's support in times of difficulties, and Malaysia would co-operate with Thailand "through thick and thin" to defend their mutual independence, integrity and way of life.

In reply, Mr. Kukrit said nations in South-East Asia must live in tolerance if they were to avoid further conflicts and tragedies.

security forces mistaken for Communists or smugglers.

There is also the strong possibility that Bangkok may legalise the Thai Communist party in the near future. Some Malaysian officials are talking of legalising the Malaysian Communist party in that event, but it is doubtful whether the Communists would co-operate. Moreover there is the problem of whom to recognise, as the Malaysian Communists have split into three groups. The split only became known in October of last year, but goes back several years to a power struggle in the MCP, in which two groups, now calling themselves the Revolutionary Faction, and the Marxist-Leninist faction, defied an order from the Central Executive Committee to eliminate recruits who had joined since 1962 and were suspected by party headquarters of being Government agents.

The main party, including the predominantly Malay 10th Regiment, is still behind Chin Peng, who has not been seen since the abortive Baling peace talks in 1955, and whose elusiveness has caused rumours that he is no longer living along the border, or

keeping the special branch a most effective anti-Communist intelligence organisation.

Malaysian authorities are convinced that the ML has abandoned the Maoist theory of using rural areas to encircle the cities: the ML apparently believes this to be impossible in the Malaysian context, where the rural areas are predominantly Malay and Moslem, while the Communist movement is largely Chinese. Consequently, it has infiltrated into the cities and new villages and appears to have had some success in setting up cells by exploiting the racial and social discontent of the huge reservoir of unemployed Chinese in the urban centres.

The discovery of an intricate and extensive network of food dumps along the jungle fringes in Perak and Pahang States, far away from the border, indicates that the Communist supply network still remains intact and active, after all these years of Government harassment. In recent months, the ML has also established links with city gangsters, and is supplying them with guns.

The immediate danger, however, is the prospect of gun running from Indochina, via Thailand, to both Malaysia or the Malaysian Islands. So far the guerrilla arsenals comprise mainly remnants of World War Two arms, crude home-made weapons, or guns captured from ambushed and killed about two dozen soldiers in the past few months, and attacked with rockets various military installations, including the military airbase in the federal capital.

For psychological value, its assault squads also moved in early last month and shot two police intelligence officers, bringing the number of Chinese special branch officers assassinated close to a dozen in the past two years. Natuna Island (lying between the Malay Peninsula and Sumatra) has special significance for, apart from setting movements in the South China Sea. The alternative is to increase sea patrols along the long coast, but a demoralising Malaysian coastline, a formidable task for the small Malaysian navy.

## Assad visit to Jordan sparks military co-operation hints

BY HSIAN HIAZI

BEIRUT, June 9.

POSSIBLE MILITARY co-operation between Syria and Jordan has been emphasised in statements by leaders of both countries on the eve of the visit of President Hafez Assad, who is due in Jordan tomorrow.

Syrian Information Minister, Ahmed Iskandar, was quoted in the newspaper Al Hayat here today as saying the talks between President Assad and King Hussein will seek to establish "a solid Arab front."

He added: "The Jordanian front is crucial for the confrontation with Israel. The Jordanian army is well-trained Arab army eager to play its role in recovering coupled Arab territory and re-establishment of rights of the Palestinians."

Jordanian Premier Zaid Rifai yesterday told a visiting Syrian Press delegation that political and military co-operation between the two countries already existed.

Both Mr. Rifai and Mr. Iskandar described President Assad's projected visit to Jordan as "historic," because this will be the first time a Syrian Head of State has visited Jordan in 20 years.

But neither one of them was really specific as to the type of military co-operation sought. Press reports earlier that a Jordanian-Syrian military command already existed were described by informed Arab diplomatic sources as premature. The sources said President Assad

will try to persuade King Hussein to join the projected political and military command between Syria and the Palestine Liberation Organisation.

Talks on the command have recently been going on in Damascus between Syrian and Jordanian delegations. The sources added that the Syrian President hopes to use the Syrian-Palestinian command as a bridge to ensure PLO-Jordanian reconciliation.

The sources believe King Hussein is now more favourably disposed towards military co-operation with Syria, but that he is under Israeli and U.S. pressure to keep away from what Jerusalem and Washington regard as Syria's hard line regarding a Middle East settlement.

## Further Japanese discount rate cuts foreseen by Fukuda

TOKYO, June 9.

DEPUTY PRIME Minister Takeo Fukuda said the official discount rate of the Bank of Japan, twice cut by 0.5 per cent in the past two months, should be further lowered because it is still above the international level of interest rates.

In an interview with Kyodo news service, Mr. Fukuda, who is also director-general of the Government's Economic Planning Agency, said another cut from the present level of 8 per cent is possible without reducing interest rates on bank deposits.

The timing of the next cut depends on the trend of prices. If they stabilise further, and enterprises co-operate in holding down prices, Japan can take the opportunity to make another reduction in the discount rate, he said.

Mr. Fukuda said the two cuts made since mid-April — a total reduction of 1 per cent — should reduce the interest burden on Japanese business by ¥200bn. a year.

But they should no longer think of resuming real economic growth of more than 10 per cent a year.

The Nomura Research Institute meanwhile said the Japanese economy will show real growth of 8.1 per cent in the current fiscal year ending next March, almost double the Government's official target.

The institute, Japan's largest private economic research organisation, said the Japanese economy is now well advanced in running down inventories and industrial production will rise 10.8 per cent during fiscal 1975.

It said corporate profits will cease to decline in the current term ending in September and will rise by about 25 per cent in the following six months ending next March.

Nomura also forecast stable prices, a continuing balance of payments surplus and a rising yen for the current fiscal year.

## Burma colleges shut

BY OUR ASIA CORRESPONDENT

BURMA YESTERDAY closed down all universities and colleges in the capital Rangoon and in Mandalay after a week-end of demonstrations mainly by students.

Rangoon Radio, monitored by the BBC, said that the colleges had been closed to allow examinations to take place peacefully.

The closures followed an abortive appeal by the country's Education Minister to students to stop the protests and to return to their classes.

It is the second time within a few months that students in Burma have taken to the streets. In December, thousands of students demonstrated and rioted the body of former UN Secretary-General U Thant when he intended of giving him what

they considered a more fitting funeral.

After troops and riot police had regained possession of the body several thousand people were arrested and more than 150 have been imprisoned. The death toll in the December troubles was about 40.

This time the students wanted the release of their colleagues still imprisoned and demanded checks on the soaring cost of living.

Burma is a potentially rich country, but in its attempts to follow the "Burmese way to socialism" the Government has been beset by economic difficulties. Prices rose sharply and exports of rice, traditionally a large foreign exchange earner, had to be stopped. But this year the Government again hopes to be able to resume rice sales.

## China, the Philippines set up ties

PEKING, June 9.

CHINA AND the Philippines today issued a joint communiqué announcing the establishment of diplomatic relations.

The announcement came while Philippines President Ferdinand Marcos was entertaining members of the Chinese leadership to a banquet in Peking's Great Hall of the People.

The joint communiqué, signed by President Marcos and Premier Chou En-Lai, stressed in its first few paragraphs that the people of a country should choose their own political system without outside interference.

President Marcos arrived in Peking on a five-day state visit on Saturday.

The establishment of relations between Peking and Manila ends 25 years of suspicion and distrust between the two countries.

President Marcos made the first steps towards relations with Peking in 1972 when he issued an order resulting in the first trade contact with China since 1949.

The establishment of ties was expected to result in the severance of diplomatic relations between Mr. Marcos' Government and the Nationalist Government of Taiwan.

President Marcos has repeatedly announced in the past that the Philippines would establish diplomatic links with China and the Soviet Union simultaneously. Reuters

## £3.5M. KENYA CAR ASSEMBLY UNIT

By Our Own Correspondent

NAIROBI, June 9.

ANOTHER commercial vehicle assembly plant, Associated Vehicle Assemblers Ltd., is being built in Kenya with a capital of £3.5m. Involved in the project are the Kenya Government, through the Industrial Development Bank, Inchcape MacKenzie Ltd. and Kenya Motor Holdings Ltd. (LONRHO).

The plant is to assemble Daimler, Ford, Mazda, Mercedes, Peugeot, Renault and Toyota components. It is to be built in Mombasa and will have a production capacity of more than 5,000 units a year and employ 500 workers.

# Your accounting system needs updating. What are you going to recommend to the board?



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your own language through its typewriter keyboard, and it talks back through its display, again in your own language. And consider running costs. If you want to spend an hour or two experimenting with a new and better method of, say, stock control, it will cost you the price of the electricity and a few pence for paper. Compare that to two hours of computer time.

Fully programmable in BASIC. BASIC is the simplest of all programming languages, and already has many commercial and financial programs.

But you don't have to be a professional programmer to write your own, or modify an existing program to suit your special needs, because the 9830 has full programming and editing facilities.

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## EUROPEAN NEWS

## ANNUAL REPORT ON THE WORLD ECONOMY

## BIS foresees continuing instability

BY RUPERT CORNWELL

BASLE, June 9.

IN A pessimistic assessment of the world economy, the Bank for International Settlements warned today that a rapid and vigorous recovery from the present deep recession is unlikely, and in any case too dangerous, given the persistence of inflation.

In its annual report published today the BIS acknowledges that several countries have got consumer prices under better control, and are shifting to expansionary policies. Wholesale prices are steady, and an atmosphere of price competition has been restored in industry. But, the bank emphasises, the situation is still unstable and could quickly worsen. Inflation rates and payments positions among developed nations vary sharply, with Britain in particular failing to show the improvement achieved by most of its major partners.

At the same time the poorer developing countries are under pressure to reduce their trade deficits, which accounts for much of the present better trend in the OECD current account balance, while in the developed world both oil consumption and deficits will probably rise when the awaited cyclical upturn finally comes.

## Oil crisis

The early part of the report is mainly devoted to an analysis of the effects of the oil crisis. But it argues that quite apart from the deflationary impact of higher energy prices, inflation by early 1974 had reached such heights that a protracted and severe period of adjustment had become inevitable.

The depth of the recession, the BIS says, has offered a target to the "armchair strategists of stabilisation," who have taken particular objection to the tightness of monetary policy in many countries. However, it insists there was simply no alternative. Inflation had reached a perilous

point and was still rising when total demand was levelling off or declining. Under the circumstances the authorities had to give top priority to curbing prices. "To rely on possible self-correction would have been to ignore too much past experience to the contrary."

The report comments that excess demand has long since been banished and that wage increases are now the continuing factor behind a high inflation. However, the wide spread between different national performances is directly due to floating exchange rates, which have reduced the international transmission of inflation, but amplified the impact of rising costs and inflationary monetary policy in the country where they originate.

## Floating rates

Although the BIS seems reluctantly resigned to a floating world, it does not miss the chance to chide governments for their lack of progress back towards a fixed rate system, and in particular for their inability to coordinate better their national money policies. "Without a full central bank commitment on inflation there is no chance of returning to the old situation where exchange rates reflected the fundamental balance of payments situation."

Concerted intervention recently by the Swiss, German and U.S. central banks has not been an outstanding success, suggests the BIS, and key cases of national reserves, the gold market and the Eurocurrency sector during the 1974-75 year. Last year, it writes, was the fifth successive year of rapid global reserve expansion. Total holdings, including IMF position, jumped by 23 per cent in 1974 to \$226bn, an absolute increase of a record \$40.3bn, and bringing the increase since the start of the decade to \$150bn. With the

system whereby the SDR would take over the reserve functions of the dollar and gold has always seemed rather theoretical.

For this understanding to bear fruit, the Americans would have to take their fair share of supporting the dollar in the market, while other countries would have to avoid excess reserve accumulation. Could this be done, it might lay the basis for a new international monetary order, the report argues.

Compared with the difficulties of monetary reform the financing of the hard gold deficit has gone much more smoothly. Despite a rise in the OPEC current surplus from \$5bn to \$70bn in 1974, only Italy of industrialised nations was forced to seek aid from official sources, and on the whole the problem was managed without great strain.

The BIS notes in any case that for the moment pressures have lessened further. The producers' surplus has fallen by a third on preliminary estimates early this year after running at \$17.4bn in the fourth quarter of 1974. Most industrialised countries have turned in a substantial improvement and it is rather the developing nations who are in the most delicate position with an overall deficit now topping \$30bn, more than three times the level before the rise in oil prices.

As is traditional the BIS report gives an exhaustive review of developments in international reserves, the gold market and the Eurocurrency sector during the 1974-75 year. Last year, it writes, was the fifth successive year of rapid global reserve expansion. Total holdings, including IMF position, jumped by 23 per cent in 1974 to \$226bn, an absolute increase of a record \$40.3bn, and bringing the increase since the start of the decade to \$150bn. With the

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significant exception of a major rise in official sterling holdings, the gain was similar to earlier years: an increase in dollar holdings either in the U.S. or in the Eurocurrency market, but this time mainly in the reserves of the oil-exporting bloc which rose by \$38.4bn in 1974.

However, such was the success of importers in borrowing to avoid reserve losses in meeting their oil deficits that their own total holdings climbed by \$3.9bn. It must be said that the bulk of this was due to the depreciation of the dollar last year against other reserve assets. For the Group of Ten richest nations holdings rose by \$4.5bn during 1974 while for the first quarter this year, in a pattern which contrasts strikingly with those of the oil producers and the less developed countries, the reserve assets rose by as much again.

Exchange reserves jumped almost \$3bn, and claims on the IMF by \$1.6bn.

Turning to gold, the BIS reports the fourth successive decline in output by non-Communist countries. The drop of 9 per cent, or 100 tons, was much sharper than before and brings the total decline since 1970 to 22 per cent. South African production dropped by 94 tons and that of Canada, the second largest Western producer, by eight tons, making a total world output excluding the Eastern bloc, of 985 tons compared with a peak of 1,267 tons in 1970 and 1,086 tons in 1973.

Unusually as well, the drop in Western production was not offset by higher free market sales from Communist countries, which in fact fell from 330 tons to an estimated 150 tons. Notwithstanding a slight increase in sales from official Western reserves to 45 tons from 35, the total amount of gold for

the world is estimated at 22,000 tons, a decline of 1,000 tons since 1970.

As is traditional the BIS report gives an exhaustive review of developments in international reserves, the gold market and the Eurocurrency sector during the 1974-75 year. Last year, it writes, was the fifth successive year of rapid global reserve expansion. Total holdings, including IMF position, jumped by 23 per cent in 1974 to \$226bn, an absolute increase of a record \$40.3bn, and bringing the increase since the start of the decade to \$150bn. With the

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Compared with the difficulties of monetary reform the financing of the hard gold deficit has gone much more smoothly. Despite a rise in the OPEC current surplus from \$5bn to \$70bn in 1974, only Italy of industrialised nations was forced to seek aid from official sources, and on the whole the problem was managed without great strain.

The BIS notes in any case that for the moment pressures have lessened further. The producers' surplus has fallen by a third on preliminary estimates early this year after running at \$17.4bn in the fourth quarter of 1974. Most industrialised countries have turned in a substantial improvement and it is rather the developing nations who are in the most delicate position with an overall deficit now topping \$30bn, more than three times the level before the rise in oil prices.

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meeting non-monetary demand fell by 10 per cent to 1,190 tons.

The report also gives the latest statistics for the Eurocurrency market, covering what the BIS dryly describes as a "most eventful year"—one in fact which saw a major crisis of confidence following the collapse of the Herstatt Bank of West Germany. But despite the mid-summer jitters the market, as measured by the external positions of reporting banks from eight major European countries, rose by \$45bn to a net \$177bn, of which the dollar component accounted for \$135bn, up by \$36bn. If banks outside the reporting area are included—that is the "off-shore" centres—the net Eurocurrency market is estimated to have increased some \$55bn to around \$210bn.

For the first 1975 quarter, the tentative guess of the BIS is for a further jump to \$180bn for the reporting area and to a net \$220bn. If other centres are included, syndicated new medium- and long-term loan facilities totalled \$30.2bn, last year (\$24.1bn).

Salutary

The BIS view is that last year's shake-up, which culminated in the September Basle agreement to act as lender of last resort to banks in temporary difficulties, has on the whole had a very salutary effect. Banks, the report says, have become more risk-conscious. Size and participation in individual syndicated loans have been reduced, and, maturities, even if the price of all this has been a shift to bigger banks and a probable slower market growth in future.

Though confidence has returned, foreign exchange business has become much more careful, and banks are paying much more attention to their balance sheet structure and capital leverage than in the past.

Gold

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## France expected to rejoin currency 'snake' next week

BY RUPERT CORNWELL

BASLE, June 9.

FRANCE IS expected to rejoin the joint ECU currency unit next Monday, on the occasion of the regular meeting of the Committee of Ministers in Luxembourg.

Although certain technical aspects remain to be settled, the central bank governors attending the annual meeting of the Bank for International Settlements, feel that enough has already been done to permit the French return to the "snake" to help iron out fluctuations.

A third problem, that of the French demand for a "Community level" for the dollar, is further from solution. While France's partners accept the idea and believe that the dollar is undervalued against the European bloc they balk at the French demand for a "Community level" for the dollar, which would mean a 5 per cent increase in the dollar's value.

In essence, the problem reflects the wider debate of fixed versus floating rates, a debate that the French Finance Minister, Mr. Jean-Pierre Fourcade, will return to in Paris this week.

Pressure for a more stable system of parties against the dollar—while stopping well short of a return to fixed rates—has been clear in Basle this week. The French seems to think it has the much chance in practice, except on the basis of "target zones" of debts incurred in "snake" support operations. In future change from the existing state gold will not be taken into account.

On the French side, however, the French political objections could follow with associate status within one or two months. Moreover, for the first time, in floating rates, a debate that the French Finance Minister, Mr. Jean-Pierre Fourcade, will return to in Paris this week.

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## Italian bishops avoid giving support to Christian Democrats

BY ANTHONY ROBINSON

ROME, June 9.

AS ITALY'S regional and local election campaign moves into its last week the isolation of the Christian Democrat Party in this toughly fought contest has been underlined by the decision of the Conference of Italian Bishops to avoid indicating the CD party as the preferred recipient of Catholic votes.

This is the first time that the episcopal conference has declined to give a clear electoral indication, although individual bishops are free to make their own suggestions to the faithful in their own dioceses. This distance-taking from the CD party reflects the more cautious attitude of the bishops following the outcome of the divorce referendum last May.

But while the Catholic Church has in the way subtly loosened its ties with the Italian Communist political situation the departure for East Berlin this morning of Monsignor Agostino Casaroli, the Vatican's Foreign Minister, reflects the wider international interests of Church diplomacy. Msgr. Casaroli is visiting East Germany as part of an invitation of East German Foreign Minister, Egon Krenz, to visit the Vatican. Msgr. Fischer, and his week of contacts with church and political authorities will cover "the life of the Church, problems of peace and international affairs."

Msgr. Casaroli is also in contact with religious and political leaders in Eastern Europe. Meanwhile, the bitter reciprocal polemics between Christian Democrats and Socialists, who have emerged as the principal opponents during this campaign, have led to growing concern about the difficulty of forming another Centre-Left government after the elections.

This concern, together with thinly-veiled antagonism to the central party electoral platform of the CD party, has induced Sig. Aldo Moro and other Ministers preoccupied by the post-election situation to try and keep the bridges open with the Centre-Left parties and the unions.

In this context Sig. Moro today holds a top-level meeting between the Government and the trade union confederations to discuss employment, investment and ways to climb out of the current economic recession. It is the first such top-level meeting since the Government was formed last November.

It follows the recent union conference at Rimini that defined six areas demanding immediate Government action and strongly criticised Government inertia and what the unions see as the tendency to relegate them from their self-appointed role as a "negotiating force" to mere "social affairs consultants" which they indignantly reject.

## MLP blamed at inquiry into Malta incidents

BY GODFREY GRIMA

VALLETTA, June 9.

INVESTIGATIONS by a magistrate into yesterday's pitched battle between rival supporters of Premier Dom Mintoff and Opposition leader George Borj Olivier began this morning, with nationalist MPs giving evidence blaming Malta Labour Party (MLP) supporters for the fracas at Kalkara.

Addressing a Press conference this morning the MP related that the night before the party to the effect that their open air rally was attacked by bottle and stone throwing supporters of Mr. Mintoff's MLP. Bottle-throwing police also attacked Opposition supporters instead of bringing the fighting to an early end by checking those who had purposely gone to Kalkara to wreck the meeting.

At least five policemen were hospitalised and the rally was brought to a premature end by the fighting. Violence at the Nationalist Party events is becoming increasingly frequent. Yesterday the party's club at Kalkara was broken into during the fighting and considerable damage was also done to a nearby private house. Last Sunday, at Rabat, the MLP was again ransacked when rival supporters clashed after a Nationalist Party mass rally.

This morning the Nationalist Party daily "Our Nation" editorially stated that yesterday's events were "another Station in the Calvary that goes into the drawing of the dominoes."

Drawing parallels with current events in Portugal, the daily appealed to everyone to take action to ensure "Malta does not end up on the Cross."

The pro-Government "Orizzonte" on the other hand claimed that bottle-throwing was started by Nationalist supporters from a nearby private house. The charge was emphatically refuted by the Nationalist MPs at their Press conference this morning.

## Roche ends rebate scheme

BY JOHN WICKS

ZURICH, June 9.

THE BASILE chemical company Hoffmann-La Roche has completed the abolition of "loyalty rebates" to EEC customers in the vitamins sector. The rebate agreements have been dissolved individually over a period of three years, the Swiss firm having expressed its readiness to drop the rebates when the EEC Commission announced it was investigating the system in the light of possible contravention of Community competition rules.

The Commission last week informed the Swiss Government that it would soon communicate to Roche its allegations in connection with vitamins rebate payments to the Community area. After the company has received these charges, it will be granted a time limit in which to answer them. Until then, no further steps are envisaged at governmental level. It appears that the Commission is no longer contending that Swiss action in the case—which is centred on the arrest of former Roche executive Stanley Adams on a charge of industrial espionage—contravenes the Swiss-EEC free trade agreement.

The case against Mr. Adams is still pending, the defendant having been released on bail in March.

## Dublin continues search for economic policy

BY DOMINICK J. COYLE

DUBLIN, June 9.

A FURTHER Cabinet meeting here to-morrow is expected to continue the Government's search for some short-term economic measures to tackle the present record levels of both inflation and unemployment, but already the seemingly inordinate time in which the long-heralded package has left the Government open to political and public criticism of inaction and vacillation.

Indeed, one of the currently more favoured games in political and industrial circles is guessing at the number of Cabinet meetings—both special and ordinary—that have lately been held to deal with the deteriorating economic situation, while there has also been a spate of recent public Ministerial warnings of grim times ahead unless some early corrective action is taken.

Government sources are now suggesting that it may be towards the end of the month before the promised measures are finally unveiled, the explanation apparently being that the Cabinet is most anxious to first win endorsement for its proposals from the major interests in the economy, notably the employer bodies, the trade unions and the main farming organisations.

While this consensus is being sought, or at least while the appearance of seeking it is being promoted officially, there are few concrete signs that the coalition Government has actually made up its own mind on what precisely should be done. Ministers insist that the Cabinet will act unilaterally in the event of employers, trade unionists and farmers failing to agree on a crash counter-inflation programme, yet privately both sides of industry, and indeed the farming bodies too, accuse the Government of failing to present to them an effective global package.

The trade unions, in particular, are alarmed at speculation that the existing National Wage Agreement, reached so painfully only two months ago (without direct Government involvement) within the employer-labour conference, may now be disturbed, not least because Ministers have decided somewhat belatedly that its provisions are highly inflationary in themselves.

## Austria to raise VAT 2%

BY PAUL LENDVAY

VIENNA, June 9.

PRESENTING the first draft of the Austrian budget for 1976 to the Cabinet, Finance Minister Hannes Androsch confirmed that the VAT rate will be raised from 18 to 19 per cent. The two per cent rise should yield Sch.4bn. (about £102m.) in additional revenue next year, the Minister said.

Though the draft budget will be presented to Parliament only after the next general election in early October, the ruling Socialist Party evidently decided to prepare the public now for the forthcoming increase. Even assuming an increased VAT, the budgetary deficit is expected to be about Sch.2.2bn. next year. The special VAT rate of 8 per cent on food, housing and services will remain unchanged, the Minister said.

Meanwhile, the latest economic figures indicate a further slight deterioration of the situation. Industrial output in the first quarter of this year fell by 5.4 per cent on a seasonally adjusted basis. It is now predicted that the Institute for Economic Research will reduce its growth forecast for this year from 2.5 per cent to between 1 and 2 per cent.

France, the world's third largest arms dealer, put its wares on show yesterday. Giles Merritt, in Paris, reports on . . .

## The Crufts of armaments

A CONVENIENT half-hour drive from Le Bourget has been slightly clouded for France by the realisation that Belgium has joined Holland, Denmark and Norway in denying Dassault-Breguet the "arms deal of the century" for new combat aircraft, this week's Satory is likely to be happier (if unsung) affair.

From humble beginnings, France has grown to become a major arms maker. In 1968 it exported Frs2.8bn. worth of weapons. By last year the French military manufacturing industry had boosted exports—or "transfers" as they are politely called—almost tenfold to over Frs20bn. Half was for Britain alone.

Employing more than 250,000 people, the industry rivals the motor industry in size and keeps its trade figures from being deeply in the red. The comparison with the motor industry is not accidental, since for many motor makers the arms boom of the last decade has provided the jam on the bread or even an alternative livelihood. Both Renault and Renault produce military ware, while Panhard has given up cars entirely in favour of tanks and armoured personnel carriers.

The annual Satory display is timed to coincide with Le Bourget and the French arms selling authority, the Délégation Militaire à l'Armement, has a budget to invite and entertain valued clients interested in attending both events. If this

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countries have bought from France since it exploded into the weapons business. The clients are a mixed bag, ranging from Peking to Pinochet, and it is exactly this catholic approach that is beginning to trouble opinion here.

Last year France was made to appear as an unscrupulous "merchant of death" when it emerged that Mirage IIIs sold to Libya as a non-combatant Middle Eastern country under the embargo imposed by General de Gaulle had been sent to Egypt and used again in the Yom Kippur war of October, 1973.

France is now known to have been informed of the "switch" by its own intelligence services, but because of uncompleted aircraft deliveries to Libya chose to ignore the information. The result was that President Giscard

arms business has snowballed at a rate that it has outstripped her policymaking. In 1968, when de Gaulle opted for a go-it-alone military position, few Frenchmen saw that the logical conclusion of equipping one's own army and developing a nuclear force de frappe would be to equipping foreign armies of varying degrees of sensitivity. The final justification, of course, is to turn and point to blacker kettles—not very difficult when the Soviet Union, the world's No. 2 arms salesman, last year sold \$5.5bn. worth of weapons, 45 per cent, going to the Middle East. The U.S. is "blackier" still! In 1974 it accounted for 46 per cent. of all arms sales with \$8.3bn. worth of orders to 136 countries.

France is well aware that the bonanza the U.S. armaments rivals are enjoying may soon be braked hard by Congressional control. In the present climate of relative political freedom of action enjoyed by President Giscard d'Estaing's government, it is unlikely that French arms makers will be similarly fettered.

As the foreign buyers sunnier around the arsenal at Satory this week they may even find that delivery dates are becoming a problem. For this year France is expecting a 50 per cent. improvement in arms sales with an order book worth Frs30bn. (about £3.2bn.). No. 3 seems to be trying harder still.

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## HOME NEWS

### State control theme in Benn motor-cycle talks

BY PETER CARTWRIGHT, MIDLANDS CORRESPONDENT

INVESTMENT NEEDS of the motor-cycle industry and its possible nationalisation will be discussed at a tripartite meeting to-morrow called by Mr. Wedgwood Benn, the Industry Minister.

This follows discussions between Mr. Denis Poore, Norton Villiers Triumph chairman, and Mr. Benn in which Mr. Poore repeated his conviction that a three-factory industry that included the Meriden Motorcycles Co-operative would need some £25m. at least to keep all profitably employed.

In addition to NVT directors the two factories at Small Heath, Birmingham, and Wolverhampton will send shop stewards. Meriden will be represented by Mr. Dennis Johnson, chairman of the Co-operative, and the new managing director, Mr. David Jones, recruited from the motor industry, as well as union representatives.

The Confederation of Ship-

building and Engineering Unions, which last January paved the way to the establishment of the Co-operative by calming the fears of Small Heath workers that Meriden would pose a threat to their jobs, is expected to send national officers of the eight unions in the industry.

Altogether the Government has injected or promised nearly £18m. NVT was formed with £4.8m. of Government aid in 1973, after the collapse of BSA to create a healthy motor-cycle industry.

One of its first actions was to close the losing Meriden factory near Coventry, but the 1,700 workers blockaded it, and last February won an 18-month fight to turn it into a co-operative.

This was backed by Mr. Wedgwood Benn and received a loan of nearly £5m. NVT, through which the Co-operative is selling its output for the first two years, was guaranteed a further £8m. of export finance. Mr. Poore has consistently

### Scots bid for separate representation in EEC

BY CHRIS BAUR, SCOTTISH CORRESPONDENT

IN THE AFTERMATH of Scotland's vote in the EEC referendum, two campaigns were launched yesterday to secure independent Scottish representation in Common Market institutions.

The loneliest but politically the more intriguing of the two was launched by the Left-wing anti-Market Mr. James Sillars (Lab., South Ayrshire), a key figure in persuading the party in Scotland in the last two years to accept a policy of devolution to an elected Scottish Assembly.

He now argues, in a pamphlet issued yesterday, that the referendum has fundamentally altered Scottish politics by taking the question of Scottish separation from the rest of the U.K. off the political agenda. "The Nationalists' separatist policy has now been demolished because, by definition, you cannot have separation inside the Common Market," he added.

The ideal solution would be for Scotland to gain separate independent representation as a member-State of the Community.

Mr. Sillars said that the forthright policy to establish a Scottish Assembly should contain provision for Scotland to move by stages to full membership of the EEC.

Important issues such as steel, fishing, coal, energy, agriculture and trade with non-EEC countries could be dealt with adequately only by a Scottish Government.

He linked this with a proposed policy of oil-sharing between Scotland and the rest of the U.K. "It is immoral to claim as the SNP does that on the break-up of the U.K. Scotland should go off with all the assets and England should be left with the liability."

The Scottish National Party's leaders yesterday issued an invitation to all MPs to join them in seeking new Community machinery "to ensure that the EEC honours the terms on which

it has gained acceptance by the Scottish electorate."

Scotland's endorsement of U.K. membership was far from wholehearted, in sharp contrast to the vote in England, they said.

The party claimed that one of about half a dozen basic guarantees on which pro-Marketees had reassured the Scottish people was that there could be separate Scottish representation in the Community. This was the only way to guarantee that Scottish interests would not be overlooked in Brussels.

### Call for full national status for Wales

By Our Cardiff Correspondent

WALES SHOULD be given full nation status with a place in the United Nations and seats in the European Assembly, it was claimed in Cardiff yesterday.

In a major policy statement, the president of Ffaiid Cymru, Mr. Gwynfor Evans said Wales should have full control over not only its economic policy, but taxation, foreign affairs and defence.

Mr. Evans said that the party considered the proposed Welsh

Assembly, as only an interim measure.

"The Common Market referendum means that plans for devolution to a Welsh Assembly have already become outdated and the need for full national status is clearer than ever," he said.

"Until we achieve full national status, Wales will be almost completely deprived of any voice in any of the key institutions of the Common Market."

### Glass companies lay-off 800 as demand for bottles falls

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

AROUND 800 employees have been made redundant by the glass container industry's three major companies as a result of the big drop in demand for glass bottles and jars.

The industry has never before known such a major change in demand in such a short period. The recession hit in January, and so far this year sales of glass containers have been 10 to 15 per cent below the 1974 levels. And 1974 was, in turn, a poor year for the U.K. manufacturers.

At present United Glass, the company jointly owned by Dietrich and the U.S. group Owens-Illinois, is working at the equivalent of 80 per cent of capacity at its eight factories. Two furnaces are being permanently closed, involving 200 redundancies out of the 8,400 employed by the container division. One of the furnaces was due to close two years ago but was kept going because of the boom in demand during 1973 and 1974.

Rockware, which like UG accounts for roughly one third of U.K. glass container sales, has also shut down around 20 per cent of its machinery. There have been redundancies at Knottingley, where between 60 and 70 were affected, and Wheatley near Doncaster, where more than 200 have been cut from the payroll. Rockware employs about 6,000 in glass container manufacture.

One furnace at Knottingley has been permanently shut, again, it was previously earmarked for closure but was kept going during the boom.

At the third major company, Redfearn National Glass, of York, redundancies have totalled more than 200 out of 2,900 and have been put into effect over the past couple of weeks.

The redundancy programme, mainly achieved through voluntary redundancy and early retirements, has allowed Redfearn to go back to full capacity working. One furnace at York has been closed for rebuilding but is now almost back in full production.

The redundancies followed a vast de-stocking by the glass container makers' customers. This was accompanied by a big build-up in the manufacturers' own stocks which reached eight weeks against the seven weeks which they maintain as a reasonable maximum.

The Budget, which piled more duty on beer, wines and spirits, was added to the industry's problems. Significantly, two of the furnaces to be closed are those which make green bottles for the wine trade.

At the same time the world-wide depression in Scotch whisky sales has had a noticeable impact on the bottle makers.

The glass container makers are therefore fervently praying that the spell of hot weather will last at least two weeks for this would have the effect of boosting sales of soft drinks in particular. With the amount of de-stocking which has been going on, any upturn in sales should show up almost immediately in demand to the container makers.

However, it would take six or seven weeks of fine weather to have a major impact on the current situation.

The U.K. manufacturers can also look forward to an easing of imports of containers. For the import duties were re-imposed on June 1 after a year of relaxation. But many of the contracts signed by the users of bottles and jars still have some months to run and included hefty cancellation charges.

The industry estimates that imports accounted for roughly 10 per cent of sales last year and the virtual elimination of imports could therefore provide welcome relief for the U.K. industry.

George Angus, the Wallsend-based glass manufacturer, announced yesterday that 250 of its 2,000 employees are to be made redundant, the main blow falling on part-time staff, mostly women. The company said that the redundancies were made necessary by a consistent fall in orders in recent months.

Some 250 staff and production workers at the cabinet division of the Hallam Group, Langley Mill, Notts, have been declared redundant as a result of the recession in the radio and television industry.

At the Almonde aluminium casting company at Burton Latimer, Northants, nearly 100 have been put on three-day working following a slump in sales. The company blamed the 25 per cent VAT rate on lawnmowers, for which it makes components, for the need to go over to short-time working.

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The increases, designed to help the airlines meet current inflationary trends, vary widely according to area and route, but the average increase is about 5 per cent to 8 per cent.

Apart from these rises, which were agreed at a four-week meeting of the International Air Transport Association, other measures were approved in the battle to keep costs under control.

For example, the airlines agreed to the need for further standardisation of "aircraft unit load devices" (ULDs)—pallets, cages and containers—to make it easier for would-be shippers to turn to air-transport.

An additional agreement was on the need to revise the rules of ownership of these ULDs, to allow member-airlines to lease them rather than buy them.

This matter will now be studied by the IATA ULD Board, and its recommendations will be submitted to later airline cargo conferences.

Apart from these moves, there are no changes in the overall cargo—rating structure—for example, there are no new moves to stimulate bulk commodity shipments in the fast developing market for special bulk rates, which some of the major airlines have been seeking for some time.

### WOOL WEAVER'S 'WINDOW'

A small woollen company, Curlew Weavers, whose mill at Rhydyfelen, Dyfed, is in the countryside of West Wales, has just opened a shop for the tourist trade to customers from America, Australia and Denmark in the fast developing yachting marina near the St. Katherine-by-the-Tower in London's East End.

The Curlew Weavers' shop is the third to be opened in what will ultimately be a large complex including 800 houses, a church, cinema and theatre, and will adjoin the world trade centre.

### How indices have moved

HIRE PURCHASE		WHOLESALE PRICES		RETAIL SALES VOLUME		FIXED CAPITAL EXPENDITURE	
£m. seasonally adjusted	New Credit extended	1970=100	Output prices (home sales)	1972	1971=100	(seasonally adjusted) £m. 1970 prices	Manufacturing
Finance Houses & Retailers						Total	Industry
1970	1,735	1972	114.8	1973	105.8	1970	4,219
1971	2,053	1973	114.8	1974	110.7	1971	4,139
1972	2,497	1974	123.2	1975	109.9	1972	4,221
1973	2,871		152.0			1973	4,283
1974	2,517		156.1			1974	4,466
1974 3rd	648	1974 3rd	156.1	1974 3rd	111.6	1974 1st	1,106
1974 4th	679	1974 4th	164.9	1974 4th	111.6	1974 2nd	1,084
1975 1st	723	1975 1st	176.0	1975 1st	111.6	1974 3rd	1,143
1975 January	246	1975 March	172.2	1975 Feb.	112.3	1974 4th	1,131
1975 February	243	1975 April	182.3	1975 March	109.4	1975 1st	1,022p
1975 March	234	1975 May	187.3	1975 April	120.2		
1975 April	271						

p provisional



## HOME NEWS

# Selby coal mining scheme inquiry in its final stage

FINANCIAL TIMES REPORTER

AFTER TEN WEEKS of talking about the National Coal Board's plans for developing the world's largest mine complex at the new Selby coalfield, the public inquiry to-day enters its final stage with a two-week field tour in the area.

Mr. Matthew Adamson, the planning consultant appointed as inspector of the inquiry, will to-day visit some of the Selby villages to look at conservation areas and listed buildings which witnesses have claimed need protection from the £200m. mine development.

On succeeding days this week Mr. Adamson will look at the drift mine site and the locations of the five planned shafts, closely study the road networks, rail links and level crossings of the area, the power of the stations which will eventually receive the Selby coal.

Next Tuesday he will start the second week of his tour on some of the farms that will be under mined, cruise down the River Ouse, looking at potential flood dangers, examine the canal system and meet parish councilors in their own villages to conclude an investigation which began on April 3.

The inquiry has sat for 37 days over a ten-week period, heard 108 witnesses and at the end has very little of contention to adjudicate on.

### Compromise

The village of Wistow where the first man-riding shaft will be sunk is the only settlement in the Selby area. The town of Selby has been promised by the Coal Board that the pillar of coal which will be left to protect the ancient abbey will now be extended to protect the banks of the River Ouse in the centre of the town and the nearby industrial area.

However, the Coal Board is against extending that pillar to protect houses as Selby Council desires. To do that would de-

prive Britain of 7m. tons of coal worth at today's prices £34m. The Coal Board reckons that to repair any subsidence damage and renew the ageing sewers of the town would only cost £2.5m. and rest their case on that.

The inquiry has been remarkable for the willingness of the parties to compromise. That has allowed the process to be speeded up and it should enable Mr. Adamson to make his report to the Secretary for the Environment well before the end of the year and give the Coal Board the go-ahead in ample time to start development next spring.

Our Walsall Correspondent writes: A public inquiry has been ordered into Coal Board proposals to open-cast mine 400m. tons of coal from land at Norton Cane in Staffordshire. Hundreds of villagers are opposing the scheme, which they claim will despoil 578 acres of land in an area already scarred by mining. The inquiry will be held on July 9.

# Caledonian seeks higher shuttle fare

By Michael Donne, Aerospace Correspondent

CONCERN over the competitive impact on its services of the British Airways London-Glasgow Shuttle operation is expressed by British Caledonian Airways in new applications to the Civil Aviation Authority.

BCAL is asking the CAA to give it a "differential fare" on its services between Gatwick and Glasgow and is also asking for the number of flights on the Shuttle to be restricted.

BCAL says that there should be a premium of £2 on each one-way Shuttle fare, which would increase it to £21. The BCAL one-way fare between Gatwick and Glasgow would remain unchanged at £19.

BCAL also wants a premium of £4 on the return excursion Shuttle fare.

BCAL also wants to see a limit of five services a day in each direction on British Airways services to Glasgow, with a maximum of 31 a week and four flights a day, with a maximum of 26 a week, on the route to Edinburgh.

The independent airline justifies these requests on the grounds that they would restore the falling profitability of the domestic trunk routes and counter the "uneconomic competition".

Mr. Adam Thomson, chairman of BCAL, said the applications to the CAA had been made "to provide the Authority with options for urgent action to restore profitability and maintain a high level of competition on the U.K. domestic trunk routes to Scotland."

"Shuttle was introduced when services on the Glasgow route were already seriously unprofitable, since when load factors have fallen."

"We support the concept of Shuttle and have said so publicly. But Shuttle-type services should be introduced on routes which are viable to support such an operation."

## NEDO REPORT ON PROCESS PLANT

BY RAY DAFTER

COMPANIES which fabricate and install process plant expect record trading conditions this year, in spite of the economic climate.

Figures released by the National Economic Development Office yesterday show that the U.K. is expected to spend £1.1bn on process plant this year, which even in real constant-price terms is almost double the 1973 level.

Overall, the total capital expenditure by the process industries is forecast to amount to £3.6bn in the three years up to the end of 1977. Of this, the largest element—some 40 per cent—is likely to go on North Sea oil production development.

### North Sea oil

Sir Frederick Warner, chairman of NEDO's process plant working party, maintains that process plant and equipment manufacturers are missing out to overseas companies on much of this North Sea oil work, however. "I wish we were getting half the business, he said yesterday."

"I doubt whether we are holding our own in this field," Sir Frederick went on. There were major weaknesses in the production of compressors and the manufacture of large diameter pipework, for instance. Where the U.K. process plant industry had the know-how and capacity it had managed to win over three quarters of the potential business.

The Government has been carrying out a study into the performance and potential of providing equipment to North Sea oil and gas companies. Its findings are expected to be published shortly.

The latest working party report on process industry investment trends paints a "surprisingly" buoyant picture with no signs of a decline in activity caused by the economic recession, said Sir Frederick.

This year's expenditure of £1.1bn. (at late 1974 prices) ap-

pears to be the peak of the current investment cycle. Next year the figure is expected to be just over £1bn, while in 1977 it is likely to fall to £882m.

An anticipated decline over the next few years reflects the likely slow-down in North Sea oil development. The working party points out, however, that no provision has been made for expenditure on North Sea oil and gas fields as yet undis-

been, trying not to lose our nerve. Chemical companies are expected to spend £240m. on process plant this year as against £182m. last year and £126m. in 1973.

Investment levels are expected to be even higher in 1976 and 1977. Sir Frederick emphasised that the chemical industry's future investment partly depended on a return to reasonable levels of inflation and the ability to

the winter of 1981/82 against the £1,700 MW forecast in March last year. The cut back meant that the Central Electricity Generating Board now had no need to order any new coal or oil fired stations until 1978. This, in turn, represented a decrease in expenditure of £135m. compared with last year's forecast for the five years 1974-1978.

Potential exists for process engineering contracts, particularly abroad according to the latest report of the working party. The total value of new orders from the U.K. and overseas at £1.1bn. is more than double the value of new orders obtained in 1973 although 10 per cent. lower than last year.

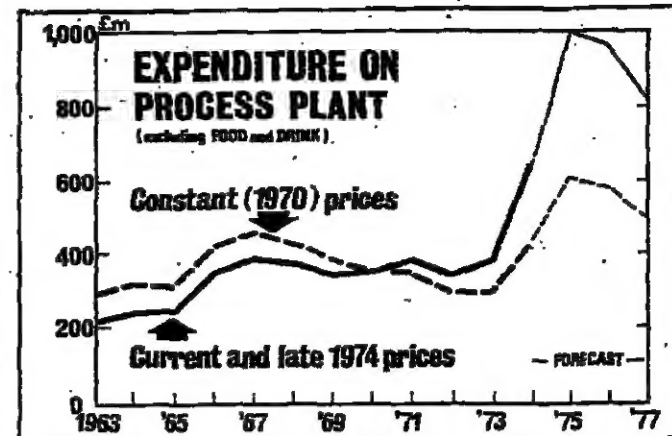
The importance of overseas markets to contractors is demonstrated by the survey which shows that the £1.7bn. of new orders for plants to be erected overseas obtained in 1974 and 1975 is nearly three times the value of new orders for plants erected in the U.K.

### Skilled labour

Middle East States have announced ambitious schemes for developing refining and chemical capacity. While the process plant working party feels that shortages of manpower and inadequate infrastructure will hinder the rapid development of many schemes, it recognises that U.K. companies are faced with many attractive opportunities.

Two particular problems are concerning the process plant industries, however. Shortage of skilled labour is still causing some difficulties (although the situation is easing) and there is widespread worry about the number of chemical and mechanical engineers joining the industry. Sir Frederick warned that this shortage could lead to an unstable period with engineers being enticed from job to job.

Second, the industry—particularly contractors—is alarmed at the continuing high inflation rate. This is not only making contract price estimating hazardous, it is also hampering companies' export prospects.



covered, as a result, the forecast may underestimate the level of demand in later years.

The working party adds that provided the chemical industry maintains a level of investment at least equivalent to the average of recent years, total expenditure on process plant and equipment is unlikely to fall to the low levels of 1972 and 1973.

### Energy

Another mainstay of the process plant sector—the chemical industry—is striving to resist the cyclical pressure on its spending programme. As Mr. Martin Trowbridge, director general of the Chemical Industries Association, said yesterday: "We have

generate adequate cash flow and maintain profitability."

A reduction in energy consumption was hitting both the refining and electricity generating sectors he went on. The postponement of the planned Occidental refinery on Canvey Island and delays to other projects were reflected in the petroleum industry's investment figures. These showed a drop of £200m. in total capital expenditure in the three years 1974 to 1976 compared with the forecast last year.

The effect of energy conservation, high fuel costs and the cyclical pressure on its spending programme, As Mr. Martin Trowbridge, director general of the Chemical Industries Association, said yesterday: "We have

# Boeing extends RB-211 deadline for Dash engine decision

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING OF THE U.S. has now extended its deadline for a decision on the Rolls-Royce RB-211 engine for the Dash 824 aircraft to July 1977. The U.K. Government on financial support for the plan to put the Rolls-Royce RB-211 engine into the Dash 824 aircraft. Boeing already has a Dash 824 engine into the 747-747 engine, but the extension is intended to give the U.K.—both Rolls-Royce and the Department of Industry—time to get over the political effects of the Common Market referendum and decide whether or not they intend to pursue the idea of a Rolls-powered Jumbo.

Boeing, in a letter from Mr. Tex Bouillon, president, to Mr. Wedgwood Benn, Secretary for

Wedge Benn, Secretary for Transport, said that the decision on the Rolls-powered Jumbo is to be ready for delivery in 1977. Work must be pushed ahead now. In fact, Boeing already has a Dash 824 engine into the 747-747 engine, but the extension is intended to give the U.K.—both Rolls-Royce and the Department of Industry—time to get over the political effects of the Common Market referendum and decide whether or not they intend to pursue the idea of a Rolls-powered Jumbo.

The latter company will make the final decision on whether to use the engine to the 747 wing. Design work for this is completed, but before production can start some cash has to be forthcoming.

Boeing has also made it clear that while it will now it has borne much of the aircraft engineering cost out of its own pocket from the end of this month, if no decision is proceeded in forthcoming, someone in the U.K.—either Rolls or the DoI—will have to pay for the work already done.

Hitherto, the DoI has insisted that while the Dash 824—a more powerful version of the RB-211 giving 50,000 lb and more of thrust—is already under development for the advanced versions of the Lockheed TriStar, cash for its further development for installation in the Jumbo jet must await airline orders.

So far, British Airways has promised an order if development is pushed ahead, but no other airline has done so. Boeing and Rolls argue that other world airlines will only place orders if the project goes ahead, while the DoI wants to see the orders first.

A Parliamentary answer by Mr. Benn yesterday indicated that the DoI had not budged from its position.

The amount of cash involved is understood to be comparatively small: initially—about £1m. since most of the cost of the Dash 824 engine has been developed already being found by Rolls and the DoI for its installation in the Lockheed TriStar.

It is also understood that Boeing would be happy to continue with the work on the venture if only a small deposit were paid to cover work done so far and as a gesture of goodwill. The amount of such a deposit would be not more than say, £50,000, although it would also have to be backed with guarantees of continuance in the venture.

Boeing, however, was making it clear behind the scenes at the Paris Air Show recently—and privately in communications to Rolls and the DoI in London—that its patience is running out fast, and that it is not prepared to go on for ever extending the basic agreement with Rolls on the venture.

Boeing knows that Rolls needs the Jumbo jet as another market for the RB-211 far more than the Jumbo needs Rolls, since the aircraft is already selling well with the Pratt and Whitney JT9D and General Electric CF6 engines. Mr. Tex Bouillon has already said that the Jumbo with the RB-211 could have a "good market potential," adding that he hoped "the Ministers concerned will consider it with this in mind."

# New Manchester Liners' Iskenderun container link

BY JAMES McDONALD, SHIPPING CORRESPONDENT

WITH A number of container-ship operators investigating the possibility of trade with the Middle East, the main problem being the lack of return cargo for the containers—Manchester Liners' Mediterranean Service is to introduce in mid-July a new regular service of container ships to the Iskenderun port. This decision follows the company's decision last week to offer a fully cellular container service between Manchester and Beirut. Both services will operate from Manchester.

The Iskenderun service will be inaugurated by the Manchester Falcon, a cellular vessel, and sailings will be on a fortnightly basis.

Blue Star Line, part of the Vestey group, will take delivery next week of two new "reefer" (refrigerated cargo) ships—the Avila Star and Andalusia Star—for its world-wide "reefer" services.

Another of the specialist A-

class ships, Avelona Star, will be launched—on Thursday from Smith's Dock, Middlesbrough, put in the hands of the Swan Hunter group.

Like her sister "reefers", Avelona Star will be a 23 knot vessel of about 10,300 dwt. tons. International road haulage drivers will be offered a new high standard of sea travel with the arrival yesterday of the Felicitas-Europoer route of Townsend Thoresen's newest ship, the 3,200 gross tons European Gateway.

She is the first in a new class of roll-on, roll-off freighters being built for the company in Bremerhaven. Two sister ships will be added to the fleet over the next 12 months.

European Gateway can carry about 1,000 metres of commercial freight and has a special deck for 22 export cars.

Luxurious facilities are available for drivers and there are 54 cabin berths. It is planned that the ship will be able to accommodate a limited number of passengers and cars.

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## NatWest branch in Edinburgh

By John Trafford, Property Editor

THE National Westminster Bank's first Scottish branch is to be at 80 George Street, Edinburgh, a 44,000 sq. ft. office block recently completed by English Properties. A plot of 24 a sq. ft. has been agreed.

George Street with St. Andrew's Square is the main banking and insurance area in Edinburgh and NatWest will be the first of the big four English clearing banks to set up a base in Scotland.

English Properties carried out the development in association with Scottish Amicable Life Assurance Society. The premises were entirely rebuilt behind the original 1907 stone facade.

## Distributing garments on the peg

Financial Times Reporter

A NEW division to serve the textile and garment distribution industry has been formed by National Carriers, the parcels and small freight company within the National Freight Corporation.

The company, which has been involved in textile distribution for a number of years, is hoping to take advantage of the move towards hanging garment distribution, though it will also deal with boxed garments.

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# LABOUR NEWS

## Top job satisfaction 'should offset pay ceiling'

BY JOHN ELLIOTT, LABOUR EDITOR

THE MOTIVATION and job satisfaction of the top paid heads of British industry should be taken into account when their salaries are fixed, according to TUC leaders who yesterday suggested that a ceiling for salaries should be fixed at £20,000 a year, £10,000 after tax.

Three senior TUC leaders told the Royal Commission on the Distribution of Income and Wealth that there should be more "openness" about top salaries, that the satisfaction of doing top jobs should mitigate against high pay and that the gap between the top paid and the worst off should be drastically narrowed.

They clearly resented the fact that too salaries were fixed without collective bargaining or through the security of the highly paid Mr. Alan Fisher of the public employees, who attacked deals "made behind closed doors, on hidden pieces of paper and locked away in drawers."

Mr. Len Murray, TUC general secretary, insisted that their complaints, which included advantages given to the "right hand and the right name" by Britain's educational system, were not motivated by envy.

Mr. Fisher stressed that "social justice is what you can see and feel happening" and in this context, where there were economic problems, "sacrifice and restraint should be seen to be exercised by those who are able to afford it."

Backing written evidence, already submitted to the commission for its inquiry into higher incomes, which was reported in the Financial Times yesterday, the TUC leaders down the management ladder.

Income from employment is perhaps the single most important factor in the average worker's perception of what is meant by inequality.

The TUC submitted a list of some 18 top industry leaders who, it said, earned from £50,000 (Sir Ernest Woodroffe, of Unilever) to £21,000 (Mr. A. Rhea of Vauxhall Motors) in 1973.

The union leaders said they found it "offensive" that a wide gap existed between these highly paid directors and low-paid workers.

Mr. Murray argued that "responsibility is a reward in itself" while skill was a "natural characteristic" which did not necessarily justify wide pay differentials. He acknowledged that not all TUC leaders were representatives of the highly paid, for example, would necessarily agree with all he was saying, but went on to insist that "people will seize the top jobs even if the monetary rewards are less."

Developing the theme that a company's chief motivation and responsibility was a reward itself which would spur men on to take the top jobs without great financial rewards, Mr. Murray said: "Who wants to be the chairman of ICI with all the influence and responsibility and access to Ministers and all that implies?"

"People of this sort grasp responsibility. They want responsibility and it is not money that motivates them," he acknowledged, however, that money might be a more important motivation lower down the management ladder.

He did not exclude union leaders (who are broadly in a £5,000 to £12,000 a year range) from his views and said: "We union leaders get a great deal of satisfaction and joy out of our jobs. We are being paid for doing something we'd do in our spare time anyway."

Mr. Murray also warned that the TUC's policy of union elected directors on supervisory boards would lead to more questioning of pay levels.

Lord Allen, of the shop workers, expanded on this and called for more "openness" when he said: "People are increasingly going to challenge the basis on which corporate management make their decisions and that will include the money they are paid."

The union leaders, however, admitted there was a "latent problem" over whether their £10,000 proposed net salary ceiling, primarily aimed at company management, should be applied to pop stars and footballers. They felt it should, although they had no sympathy with the shorter time for which the entertainer would earn his top money.

Although the union's negotiating committee has been against arbitration, this position was reversed last week when the NUS national executive split 10-8 in favour of arbitration, a decision which removed, for the time being, the prospect of a repeat of the 1966 seamen's strike.

However, the possibility of industrial action if the union is unhappy with the findings of the arbitration remains. This was indicated yesterday when a meeting of about 70 seamen at South Shields urged their executive to stand by their demand for £40 Merchant Navy seamen in line for a 40-hour week and pledged to support industrial action if necessary.

The South Shields meeting was addressed by Mr. Gordon Norris, a member of the NUS executive, and the "tightly-knit group of politically motivated men" spotlighted by Mr. Harold Wilson, the Prime Minister, at the time of the 1966 strike.

In sticking to their claim for a £40 basic wage, plus demands for improved overtime payments which the employers estimate would add 81 per cent to their annual wages bill—the NUS has rejected a £28m offer which would have established a consolidated basic rate for seamen of £33.45.

Under this 30 per cent. offer average earnings for a foreign-going able seaman would have risen from £59.25 to £70.35 for a 67-hour week including "new money" of £11.10 of 18.7 per cent. The offer would have been £44.00 a week cost of living threshold payments already being made.

## Ship owners accept arbitration talks

BY ROY ROGERS, LABOUR CORRESPONDENT

SHIPING INDUSTRY employers yesterday agreed to arbitration on the deadlocked pay negotiations covering 40,000 Merchant Navy seamen in line for a 40-hour week and pledged to support industrial action if necessary.

But the employers, the General Council of British Shipping, have considerable reservations about the union's reluctance to be bound by the outcome of arbitration and this issue is being raised with officials at the Advisory, Conciliation and Arbitration Service.

Last night the employers and the NUS were at the ACAS where they were endeavouring to agree terms of reference and the composition of the arbitration tribunal.

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The strike, which started on May 2, has cost the company about £15m. In lost output, some 70 per cent. of which is exported.

## Sit-in at tractor plant ends

By Peter Cartwright, Midlands Correspondent

NEARLY a month's occupation of the Massey Ferguson tractor plant in Coventry ended when 17 management representatives led by Mr. Terry Jayme, group personnel director, and armed with a High Court Order, regained possession of the buildings.

The Order, made by a judge in chambers on Friday after hearing summonses against more than 300 of the 4,500 strikers, was served without warning the following afternoon.

After alerting Mr. J. Dunn, joint shop stewards' convenor from the transport union, the pickets agreed to revert to normal picketing if management was prepared to meet union representatives to get their pay claim settled as quickly as possible.

A meeting with Mr. Jayme has been arranged for Wednesday and the stewards will meet the following day to learn the results.

While four police officers stood passively on the other side of the road, the Order was served at the main gates on the 24-man picket in the assembly hall.

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## NALGO members ask for strike ballot

BY OUR LABOUR STAFF

LEADERS OF 400,000 local government white collar workers were yesterday refused authority to reach a settlement on their 35 per cent. pay claim without first coming back to the member ship to report on the proposed terms of the deal.

Against its wishes, the executive of the National and Local Government Officers Association was instructed at a group meeting in Blackpool to report any improvement of the local authorities' 21.7 per cent. offer to a resumed group meeting.

In the meantime, NALGO delegates called on the executive to prepare for a strike ballot of members and to recommend some form of industrial action to the resumed group meeting.

Yesterday's moves will harden the union negotiators' attitude on pay when they meet the employers next Monday, but an attempt to harden it further yesterday by ordering an immediate strike ballot was decisively defeated.

The debate centred on the issue of how militant NALGO should be, or could be, in fighting for its claim for £10 a week around, plus 15 per cent, which, it is estimated, is the equivalent of a 35 per cent. rise in the local authorities' wage bill of £1,000m.

This is far above the 21.7 per cent. offer, which is based on the rise in the cost of living in the past 12 months. But NALGO is seeking at least as much as the recent 26 per cent. cost-of-living civil service settlement and is anxious to maintain differentials with local government managers.

Local government managers are seeking as well as keeping pace with living costs.

Moreover, while NALGO want

its £350m. claim to be negotiated to May 1—which would breach the social contract's 12-month rule—the local authorities say any settlement must operate from July 1, 12 months after the last deal.

The negotiations are taking place at a time when the Government is threatening a major cutback in public spending, because of inflation, and when there is an outcry from householders all over the country about the leaping rent burden.

Fred Jex, chairman of the union's local government committee, warned against the danger of too hasty strike action and said that selective stoppages might result in dismissals or workers being sent home; the proposed one-day national strike was merely a demonstration that could backfire, if it was a failure, leaving a discredited executive building and building.

There were further signs of white-collar unrest over pay at other group meetings of NALGO delegates in Blackpool.

Those in the East of England issued a deadline for a strike ballot on their pay claim, a rare one to that for local government officers, by demanding that if the claim is not met in full by July 1 they will seek executive support for a ballot on industrial action.

Delegates from the electricity industry accepted the principle of a 15-month deal offered by the Electricity Council, but urged the council to reverse its offer for industrial action should be put in motion if current pay rises prove unsatisfactory.

NALGO's full conference covers the whole of the 500,000 members and starts tomorrow, with to-morrow delegates will be addressed by Mrs. Shirley Williams, the Prices Secretary.

## Rail peace formula bid to-morrow

BY JOHN WYLES, LABOUR REPORTER

BRITISH RAIL will meet the attempt to find a peace formula three rail unions for top-level since the NUR rejected a 27.5 talks to-morrow aimed at stop-cent. railway arbitration plus the threatened rail strike award and called a national members of the National Union of Railwaymen.

The award has been accepted by BR and the other two rail unions and to-morrow's talks

have been called to discuss its "implementation and interpretation." While BR has no intention of meeting the full NUR claim for rises of up to 35 per cent. it will be looking to the union's general secretary, Mr. Sidney Weichell, for any signs of a willingness to compromise.

THE LIST OF APPLICATIONS WILL BE OPENED AND CLOSED ON THURSDAY, 12th JUNE 1975

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Prospectuses and application forms may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 3AA, or at any of the branches of the Bank of England in the United Kingdom. Before 8.15 a.m. from Messrs. Mullens & Co., 15 Moorgate, London, EC2R 6AN, or at any of the branches of the Bank of England in the United Kingdom. BANK OF ENGLAND LONDON 6th June 1975.

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THE LIST OF APPLICATIONS WILL BE OPENED AND CLOSED ON THURSDAY, 12th JUNE 1975

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ADDRESS IN FULL

Applications must be for £100 of the Stock or a multiple thereof, and should be lodged at the Bank of England, New Issues, Watling Street, London, EC4M 3AA. A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "Treasury Stock". If this declaration cannot be made it should be deleted and reference should be made to an Authorised Depositary or, in the Republic of Ireland, an Approved Agent, through whom payment should be effected. Authorised Depositaries are listed in the Bank of England's Notice EC 1 and include most banks and stockbrokers, and approved agents in the Republic of Ireland are listed in the Bank of England's Notice EC 10. The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

THE LIST OF APPLICATIONS WILL BE OPENED AND CLOSED ON THURSDAY, 12th JUNE 1975

## 3 per cent TREASURY STOCK, 1979

ISSUE OF £250,000,000 AT £78.25 PER CENT

**PAYABLE IN FULL ON APPLICATION**  
INTEREST PAYABLE HALF-YEARLY ON 17th MARCH AND 17th SEPTEMBER  
This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of the Stock Exchange for the Stock to be admitted to the Official List.  
THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive applications for the above Stock.  
The principal of the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.  
The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1982. Transfers will be free of stamp duty.  
Interest will be payable half-yearly on 17th March and 17th September. The first payment will be made on 17th September 1975 at the rate of £2.83 per £100 of the Stock. Interest payments will be transmitted by post; income tax will be deducted from payments of more than £5 per annum.  
Stock of this issue and the interest payable thereon will be exempt from all United Kingdom income tax, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain or Northern Ireland.  
Further, the interest payable on Stock of this issue will be exempt from United Kingdom income tax, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain or Northern Ireland.  
For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.  
Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate form may be obtained from the Registrar of Companies, Inland Revenue, 1, Blandford Road, New Malden, Surrey, KT3 4BB.  
These exemptions will not entitle a person to claim repayment of tax deducted from interest under the claim to such relief as is made within the time limit provided for such claims under income tax law, under the provisions of the Taxes Management Act 1970, section 43, or to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the United Kingdom, or to the taxation of income arising from the United Kingdom, or to the taxation of income of any person resident or ordinarily resident in the United Kingdom.  
Applications, which must be accompanied by payment in full for the amount applied for, will be received at the Bank of England, New Issues, Watling Street, London, EC4M 3AA, or at any of the branches of the Bank of England in the United Kingdom. Applications must be for £100 of Stock or a multiple thereof; no allotment will be made for a less amount than £100 of Stock. Letters of allotment in respect of Stock allotted will be despatched by post at the risk of the applicant. In the case of Stock allotted by cheque, the surplus after providing for payment for the amount allotted will be refunded by cheque.  
Letters of allotment may be sent in denominations of multiples of £100. They may be lodged for registration forthwith and in any case must be lodged for registration not later than 28th September 1975.  
A commission at the rate of 1.125 per cent of £100 of the Stock will be paid to banks or stockbrokers on allotments made in respect of applications bearing their name.  
Prospectuses and application forms may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 3AA, or at any of the branches of the Bank of England in the United Kingdom. Before 8.15 a.m. from Messrs. Mullens & Co., 15 Moorgate, London, EC2R 6AN, or at any of the branches of the Bank of England in the United Kingdom. BANK OF ENGLAND LONDON 6th June 1975.

THIS FORM MAY BE USED

For use by Banker or Stockbroker claiming commission—

VAT Regn. No. (If not registered put "NONE")

THE LIST OF APPLICATIONS WILL BE OPENED AT 10 AM ON THURSDAY, 12th JUNE 1975 AND WILL BE CLOSED ON THE SAME DAY

## 3 per cent TREASURY STOCK, 1979

ISSUE OF £250,000,000 AT £78.25 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND  
I/We request you to allot to me/us in accordance with the terms of the prospectus dated 6th June 1975

£

The sum of £15, being the amount required for payment in full (name), £78.25 for every £100 of the Stock and for tax, is enclosed. I/We declare that the applicant(s) are not resident outside the Scheduled Territories and that the security is not being acquired by the applicant(s) as the nominee(s) of any person(s) resident outside those Territories.

June 1975 SIGNATURE

PLEASE USE BLOCK LETTERS

SURNAME AND DESIGNATION (MR, MRS, MISS OR TITLE)

FIRST NAME(S) IN FULL

ADDRESS IN FULL

Applications must be for £100 of the Stock or a multiple thereof, and should be lodged at the Bank of England, New Issues, Watling Street, London, EC4M 3AA. A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "Treasury Stock". If this declaration cannot be made it should be deleted and reference should be made to an Authorised Depositary or, in the Republic of Ireland, an Approved Agent, through whom payment should be effected. Authorised Depositaries are listed in the Bank of England's Notice EC 1 and include most banks and stockbrokers, and approved agents in the Republic of Ireland are listed in the Bank of England's Notice EC 10. The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

## ASTMS plan for 'rising food cost' pay rises

A PLAN for flat-rate pay rises to compensate specifically for rising food and fuel costs has been submitted to the TUC by Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs.

These pay rises should be on top of the proceeds of normal collective bargaining, says Mr. Jenkins, whose proposals have been sent to the TUC in advance of to-morrow's key meeting of its economic committee.



# Who's the moving force in your company?

When it comes to an important decision like expanding or relocating a company's activities, everyone wants to have a say. And new towns are often considered in the appraisal.

This is fortunate for us.

Because, although Central Lancashire is the newest of England's new towns you won't need the pioneering spirit to come here.

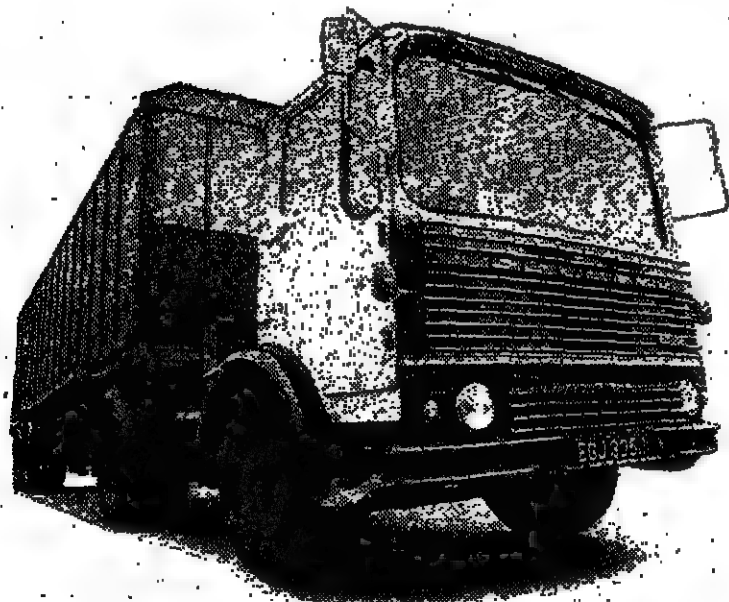
Because it isn't every new town that can boast the largest area—55 square miles, a population of 240,000, a workforce of 120,000 and some of the biggest names in British industry.

We already have three thriving town centres with attractive new shopping developments, hundreds of thousands of square feet of modern office buildings available, three motorways, electrified Inter-City rail services and a port. And all this before we got started.

Perhaps this is why some expanding companies are already taking a long, hard look at Central Lancashire. For we have a past that could prove to be the foundation for your company's future.

## Transport Managers never had it better.

Central Lancashire is a Transport Manager's dream.



The opening of the Preston By-Pass in 1958 saw the beginning of Britain's motorway system.

Now the area has connections with the entire national network, putting every major market in the country within easy reach.

The ports of Manchester and Liverpool are only an hour away, whilst the area's own highly efficient, but smaller, container port is at Preston.

And a company moving bulk goods by rail will find the Freightliner services excellent.

## Personnel Directors will be spoilt for choice.

Central Lancashire already has the largest labour force of any new town. It will increase by nearly two-thirds from 120,000 to around 200,000, as both new and existing companies prosper and expand.



And don't forget, dwellings for sale or rent will be provided for your incoming staff.

And there's also a ready source of graduates from the Preston Polytechnic, and four nearby universities.

## Export Managers will have the world at their fingertips.

An export manager who discovers he has to be in New York or Brussels by the morning, will be thankful for the proximity of Manchester International Airport.

From here, scheduled services give direct flights to sixteen cities throughout Europe, and there are daily flights to New York and Montreal.

From Manchester, you can fly direct to any one of these major cities:

	M	T	W	Th	F	S	S
AMSTERDAM	•	•	•	•	•	•	•
BERLIN	•	•	•	•	•	•	•
BRUSSELS	•	•	•	•	•	•	•
COPENHAGEN	•	•	•	•	•	•	•
DUBLIN	•	•	•	•	•	•	•
DUSSELDORF	•	•	•	•	•	•	•
FRANKFURT	•	•	•	•	•	•	•
GENEVA	•	•	•	•	•	•	•
MILAN	•	•	•	•	•	•	•
MONTREAL	•	•	•	•	•	•	•
MUNICH	•	•	•	•	•	•	•
NEW YORK	•	•	•	•	•	•	•
PARIS	•	•	•	•	•	•	•
ROME	•	•	•	•	•	•	•
TORONTO	•	•	•	•	•	•	•
ZURICH	•	•	•	•	•	•	•

## Finance Directors will laugh all the way to the bank.

Finance Directors will be interested to learn, that it has been calculated that a company employing 100 personnel in their London office, could save over £130,000 a year in rent, simply by moving to the area.



Rates will almost certainly cost less as well.

And as Central Lancashire is in an Intermediate Area, your company could also qualify for a number of worthwhile grants.

## The family will never look back.

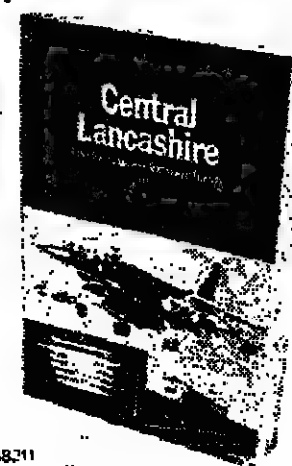


It's a great place for kids to grow up in. Nearby you'll find mile upon mile of unspoilt countryside—and the new town itself will be developed as a series of villages, each with its own amenities.

Of course you'd like to know more about Central Lancashire.

'Phone or write to our Commercial Director, Bill McNab.

**Central Lancashire**  
The foundation for your future.







# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETERS

## RESEARCH

### Beam memory can speed computing

A GLIMPSE of the shape of things to come in computer mass storage is afforded by an announcement from General Electric Company of the U.S. of an electron beam semiconductor device that allows access to stored information at 1,000 times the rate of today's drum or disc memories.

Developed initially for military applications, the memory could in due course eliminate the inefficient use of computer time that now occurs when the central processor has to wait data coming from its slower auxiliary memory. This access-time gap between rapid main memories and the slower mechanical auxiliary memories has, says the company, been a major bottleneck to faster processing and increased productivity from computer systems.

According to the developer, the impact on the architecture and operation of computer systems will be far reaching and is expected to result in substantial reductions in hardware and software costs.

The memory has been named BEAMOS, an acronym of "beam addressed metal oxide semiconductor". It is essentially an electron beam addresses an unstructured metal oxide silicon (MOS) target.

The present units are four inches in diameter, 17 inches long and weigh about 3 lb. The MOS memory plane stores data as minute islands of positive

charge spaced by four microns. An electron beam matrix lens and deflection system is used for reading and writing the data. The capacity of the plane at the moment is 32 million bits (megabits) but several modules can be operated by a single controller, either individually with a 1 megabit data rate or in parallel for higher rates.

#### Capacity

Modules of the same external dimensions are under development that have 100 megabit capacity each, with 2.5 micron bit spacing, and units with one gigabit (a billion bits) capacity are believed feasible.

There are four 15 mm. square chips making up the target, on a ceramic baseplate. The surface consists of n and p type silicon layers connected electrically to form a black-biased diode, and an evaporated film of aluminium on a thin insulating layer of silicon dioxide. A 40 V bias between aluminium and n layer produces the "write" mode when the 10 kV electron beam strikes positively charged "holes" remaining near the oxide-silicon interface for months.

To read, a slight negative or zero bias is used. Some of the "holes" generated by the addressing beam on penetrating the silicon are repelled under those oxide regions containing the stored positive charges of data, resulting in a signal pulse as they sweep across the oxide.

silicon junction. To erase, an appropriate reverse bias is applied to the aluminium causing the reading beam to neutralise the stored positive charge in the oxide, resulting in destructive read-out.

BEAMOS is compatible with the software of most of today's computing systems and its speed assures a three to one improvement in computer throughput states GE (U.S.A.). Access time is given as 30 microseconds, contrasting with perhaps 30 milliseconds in disc stores.

### Tapes work better with iron

A TRUE revolution in magnetic tape performance could be sparked off by work in progress at the Aachen research laboratories of the Philips Group.

It has been found by a research team under Dr. R. G. Knauff, that iron particles in the form of tiny needles can be made to respond far more effectively to the magnetic signals from recording heads than competing materials. They can be incorporated into tapes with a noise to signal ratio of up to four times better than the best current tapes at higher frequencies.

These needles are made by pro-

gressive reduction by hydrogen in a special form of iron hydroxide. Freshly reduced needles—they are only 0.3 micron in average length—are impossible to handle in air since they ignite spontaneously as soon as they are exposed.

But a method of coping with this has been evolved. It consists in passing a current of inert gas over the needles in the same fluidised bed and adding very small amounts of oxygen progressively.

The result is the formation of a passivated layer on the surface of the needles, the inert gas carrying away the heat and helping to stop the reaction from penetrating deep into the surface.

Kilogram amounts of needles are being made at the moment but there are apparently no problems scaling up the process to make tons.

Performance of the tapes based on the needles is being improved on still further, which is of major significance for video and high fidelity recording. When they come into commercial use—there are still a few technical problems to be solved—it is expected that the price will lie between that of ferrite tape and that of chromium oxide materials.

The company gives the gain in signal/noise ratio as 12 dB against ferrite and 7 dB against chrome oxide measured at 10 to 12.5 kHz and 4.75 cm/sec. Philips Research Laboratories, Aachen, West Germany.

## HANDLING

### Bales bulky metallic waste

TO COPE with the metal extracted from municipal waste, and other bulky baling problems, Planting division of Entwistle and Gass, Nelson Street, Bolton, Lancs, BL3 2AP (Bolton 23367)—a Hawcroft Group company—has developed an hydraulic three-stage baler.

A hopper collects metals as they are removed from the waste and feeds into the gathering chamber of the press. When the hopper is full, the gathering ram automatically retracts, and the material drops into the chamber. The gathering ram moves forward pushing the materials into the secondary pressing chamber and simultaneously shearing any projecting metal.

When this stroke is completed, vertical rams produce a 12 x 12 inch cross section and start the

stack to heights of more than 264 inches. A pantograph reach mechanism extends the forks 264 inches.

Load widths are not confined to the distance between the unit's outriggers, and wide loads can be picked up at floor level by the reach mechanism and pulled back over the outriggers.

Travel speed and lift controls are contained in one operating lever.

Hydraulic functions are divided into two separate systems. The demands of the lift system are served by a Class II insulated motor and variable displacement vane pump. The pump's built-in pressure compensating governor controls the volume of oil to the lift cylinder, eliminating the need for a pressure relief valve.

Power steering, pantograph reach and auxiliary functions operate from a second pump and motor compatible with their lower oil volume.

The dual system, in matching these functions to required oil volumes, reduces off-heating, conserves battery current and reduces stress on hydraulic components, says the maker.

It can swing diameters of 1250mm over the bedways and diameters of 860mm over the carriage, fitted with a pair of steadies. It will handle workpieces weighing up to 10 tons. Maximum rating of the main driving motor is 56kW.

The lathe is of modular construction and can be fitted with either electronic or numerical continuous path control systems. It is capable of a variety of machining operations, including facing operations at a constant cutting speed; taper turning; screw cutting; 360 deg. copying and crankshaft machining. All operations can be selected from a central control pendant unit.

Both saddle and slides are lined with bonded plastic and the saddle traverses at 5 metres/minute. Feed and traverse are regulated by thyristor controlled dc motors.

The model on display will be equipped with an electronic control system, enabling all functions of the saddle and the headstock to be controlled by push buttons and switches on the pendant unit. The headstock is driven by a dc motor and there is a choice of infinitely variable spindle speeds from 3 to 750 rpm.

Travel/rev feed rates for screwcutting work can be pre-selected. Pitch values are set by means of decade switches. There is provision for taper turning and the Elcop T 360 deg. copying equipment ensures both copying accuracy and good surface finish of components, says the company.

The lathe is available in the U.K. from Sykes Machine Tool Co., Chertsey Lane, Staines, Middlesex (Staines 55474)—one of the 600 Group.

Scicon Computer Services, wholly-owned subsidiary of British Petroleum, is to make available the fallow facilities currently enjoyed by BP to all major industrial companies operating one of the Univac 1100 series of computers.

The back-up facilities provided for BP permit the maintenance of BP's files on the Scicon computer complex at Milton Keynes where they are updated overnight. This enables BP to access these programs and data files, in an emergency, at any time.

Scicon emphasises that this support service is only made possible through the investment represented by their purpose-built computer centre.

Particularly significant support features are the fully protected electricity supply based on the automatically started diesel generator in the event of power failure, and the triplicated air conditioning systems, protecting the operation of each piece of equipment.

The back-up service to be made available will vary according to client requirements, and will range from 24 hour multi-programming availability to the use of a dedicated machine of a specifically agreed configuration.

Scicon Computer Services, Brick Close, Kilm Farm, Milton Keynes MK11 3EL. 0908 71121.

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Scicon Computer Services, Brick Close, Kilm Farm, Milton Keynes MK11 3EL. 0908 71121.

## OFFICE EQUIPMENT

### Speeds the work of the artist

LETTERING in a variety of styles, sizes and colours on transparent or opaque tape for immediate application to artwork, drawings, etc., can be produced by a machine introduced by GAF (Great Britain), PO Box 70, Blackthorne Road, Goldbrook, Slough SL3 0AR (Calmbrook 4567).

Called Gafont, the machine is

little larger than a portable typewriter, weighs 19 lbs, is electrically operated, and involves no chemicals. It is claimed to be simple to use, and to be quicker, cheaper and more accurate than dry-transfer lettering systems.

It has been designed for use in graphic art studios and drawing offices producing originals for reproduction by lithographic, photographic and dye-line systems.

There is no character keyboard. Characters are cast on a font disc which is rotated manually to select each character. Printing, letter spacing, word spacing, and advancing and cutting the

carrier tape are all button operated. There are 65 font discs currently available for the system, including upper and lower case letters, numerals, punctuation marks and useful symbols. Type faces include: Univers, Gothic, Futura, Century, Helvetica and Microgramma.

The eight-inch disc carries 50 characters and the nine inch disc, 60.

The carrier tape on which the lettering is produced is available in widths of 9.2 and 0.4 inches, either transparent (non-reproducible), black (reversible) or white. After printing, which is done from a black, white, red or

blue ribbon a backing material is removed and the lettering is ready for application to any smooth surface, including film, drawing papers, photographic prints, Xerographic copies, mechanical boards, glass or plastics.

Lettering can be repositioned several times without deterioration, and can be enlarged or reproduced without loss of quality. It is said not to crack or peel.

Running costs, including power consumption and carbon ribbon usage, are about 10p per foot of carrier tape on which 130 characters in 8 pt or 38 characters in 36 pt can be produced.

## PACKAGING



Forming cartons with the aid of Whitehall Machinery's manually-operated machine. Could be useful for very small runs or experimental work.

### Small forming machine

A LOW-COST, hand-operated machine for the erection of heat-sealable cartons or trays from flat blanks in one simple operation has been developed by Whitehall Machinery, Chalks Road, Whitehall, Bristol BS5 5ER (0272 863551) — a Dickinson Robinson Group company.

Known as "model 85" the machine is stated to be adaptable to almost any combination of carton dimensions up to a maximum of 200 x 200mm base and 40mm depth. It will handle board weights up to about 400 micron, which may be double or

single polythene faced, or have a heat sealable lacquer on the inner or outer face.

The machine incorporates time and temperature controls which are adjustable to suit the sealing requirement, and a lamp signals completion of the sealing cycle.

Depending on the materials and the dexterity of the operator, throughputs up to 15 trays a minute can be achieved.

The machine was developed in response to a specific customer requirement, but the company believes it could provide an inexpensive solution to a wide range of specialised needs.

### Big savings for carton packers

"MOST ADVANCED lined carton machinery in the world" is how Pembroke Packaging, Poycocke Road, Basildon, Essex S16 3HP (0268 20272) describes its latest packing line.

Known as the Pembroke OMF, it was developed in collaboration with Autopak of Malvern and incorporates the company's electronically controlled bulk fill and top-up equipment.

To secure the full performance

### Bags made with less noise

SAID BY the maker to be fastest, quietest bagmaker available, the Befanco 66 takes a maximum web of 45 inches to produce bags between 4 1/2 x 5 1/2 to 24 x 24 inches with an output of up to 2400 bags a minute.

A deep lip unit produces lip depth to 2 inches giving increased versatility to the product range. Sound suppression shielding is stated to have reduced noise levels from the usual over 100 dB to about 90 dB.

Made by Beasley, French and Co., Bedminster, Bristol BS3 5RL (0272 664283), the machine has modifications to the reel feed and formers which are stated to reduce downtime during change-over by as much as 25 per cent. Difficult materials and paper weights down to 25 gsm can be converted, and there are safety features to minimise loss due to web breaks.

Bags are delivered single or twin stream, stacked vertically, and counted in 50s and 100s (these numbers can be varied by a change gear).

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

### Panels save space in offices

RONEOSPACE, a system of screen-based desk, filing and storage, is being introduced by Rimec.

It provides average savings in floor area of 20 per cent, and correspondingly higher capacity for accommodating staff. It comprises vertical panels, two or more of which are coupled to a series of steel posts to form a working area.

Furnishings transform a paneling combination into a working area, and all furnishings slot into the uprights. These include flat writing or typing surfaces, reference shelves, filing units, bookshelves and pinboard panels.

All telephone and electrical wiring is housed in the panels and individual work stations can be equipped with lighting, communications, and electrically-operated business machines according to need. A panel can accommodate a 100-core cable for a group telephone system.

A work station can be assembled in under an hour, costs averaging from £380 per station according to the equipment needed. First U.K. customer for Roneospace is the Bank of Scotland. Panels and work stations are being installed on three floors of the Bank's headquarters in Edinburgh, a £150,000 contract due for completion this month.

Furniture and Systems Division, Ronec Vickers, Lansdowne Road, Croydon CR9 2HA (01-686 4333).

## ELECTRONICS

### Improved circuit process

A BRIEF announcement from Sony Corporation reveals the development of "SIPOS" (semi-insulating polycrystalline silicon), a surface passivation technology that uses oxygen-doped polycrystalline silicon films. As a result says the company, planar devices of many kinds can be steadily operated under severe conditions.

One result is the ability to produce transistors able to work at very high voltages: 10,000 volt devices can be satisfactorily made, an achievement which, says Sony, has been considered difficult in the past.

The technology is said to provide much higher reliability than previous methods, and at the same time production costs are reduced. The method can be applied to the mass production of nearly all types of silicon devices and integrated circuits. Packaging of elements can also be greatly simplified.

Sony is at 7-35 Kichinawawa 6-chome, Shinagawa-Ku, Tokyo 141.

# World Petrochemicals

A collection of papers by international experts who presented them at the World Petrochemicals Conference, organised by The Financial Times Ltd., in association with The Oil Daily, of New York. Now published by The Financial Times Ltd. in a single volume, introduced by Bart Collins, International Editor, The Oil Daily, these authoritative papers and the leading figures who presented them are:

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Co-ordinator Chemicals, Shell International Chemie Maatschappij B.V.  
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## MACHINE TOOLS

### Debut of German lathe

MAKING ITS world debut on the H. Wohlfarth K.G. stand at the first Euro-World Machine Tool Exhibition, which opens in Paris on June 17 is the H1250SE VDF system lathe.

It can swing diameters of 1250mm over the bedways and diameters of 860mm over the carriage, fitted with a pair of steadies. It will handle workpieces weighing up to 10 tons. Maximum rating of the main driving motor is 56kW.

The lathe is of modular construction and can be fitted with either electronic or numerical continuous path control systems. It is capable of a variety of machining operations, including facing operations at a constant cutting speed; taper turning; screw cutting; 360 deg. copying and crankshaft machining. All operations can be selected from a central control pendant unit.

Both saddle and slides are lined with bonded plastic and the saddle traverses at 5 metres/minute. Feed and traverse are regulated by thyristor controlled dc motors.

The model on display will be equipped with an electronic control system, enabling all functions of the saddle and the headstock to be controlled by push buttons and switches on the pendant unit. The headstock is driven by a dc motor and there is a choice of infinitely variable spindle speeds from 3 to 750 rpm.

Travel/rev feed rates for screwcutting work can be pre-selected. Pitch values are set by means of decade switches. There is provision for taper turning and the Elcop T 360 deg. copying equipment ensures both copying accuracy and good surface finish of components, says the company.

The lathe is available in the U.K. from Sykes Machine Tool Co., Chertsey Lane, Staines, Middlesex (Staines 55474)—one of the 600 Group.

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## MATERIALS

### Plastics foam made in rolls

RAYEX OF West Germany has licensed two U.K. companies to produce continuous crosslinked cellular polyethylene foam using the patented Japanese Furukawa process.

The companies are Lintafilm Plastics and Waters United Kingdom Paper Co., and they are marketing the product as Lintafilm and Crossbow respectively.

Lintafilm, is being made at Oakfield Mill, Droydsden, Manchester, M35 7DL (061-370 8111), and is available in rolls up to 2m wide and up to 150m long, varying in thickness from 8-15mm, and in density from 30kg/cu. metre to 175kg/cu. metre, and in six standard colours—natural, grey, yellow, pink, green and blue. Lintafilm-Plastics is a member of the Guthrie Corp.

Crossbow will be made by Bowel Products at Kirkby in Ashfield, Nottingham (0623 752517). It will be available in rolls up to 2.2m wide and up to 150m long, in thicknesses from 8-20mm, and densities from 30 to 175 kg/cu. metre. A range of colours will be available and full production is expected at the end of this month.

Previously made in batches, the Furukawa process enables the foam to be produced continuously making it less expensive and more versatile than the earlier product.

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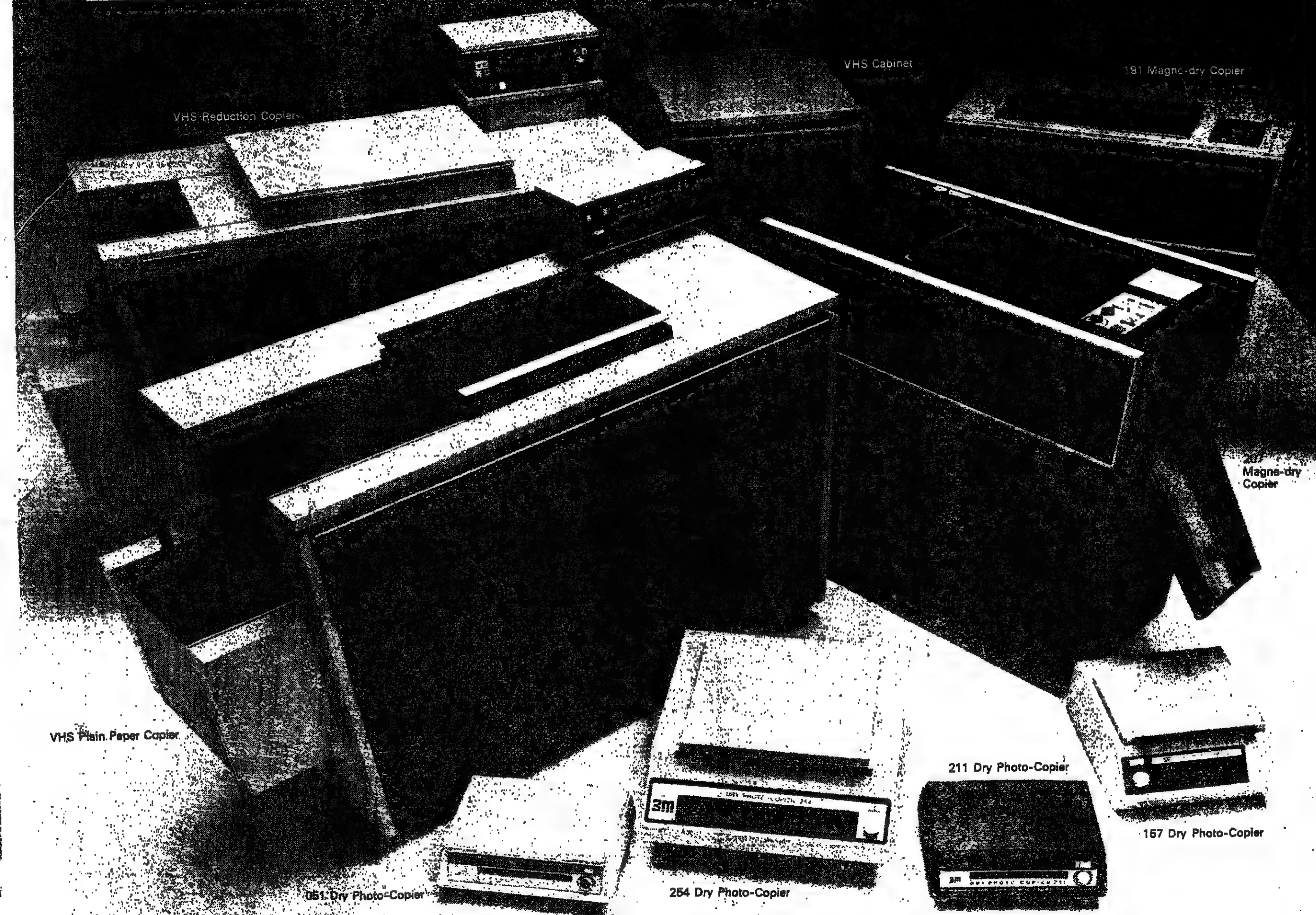
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## FINANCIAL TIMES REPORT

Tuesday June 10 1975

## NORTHAMPTONSHIRE

Situated on many of the country's main transport routes, Northamptonshire is now experiencing new development on an unprecedented scale. This rapid growth is placing considerable strains on the local authorities.

## County takes the strain

NORTHAMPTONSHIRE is suffering from success. The "county of squares and spires," which has retained its parochial character throughout the changes of the last 100 years, is now experiencing development on an unprecedented scale.

Population increase, according to the County Council, has mounted pace in recent years to become the fastest growing in the U.K. and the result is still accelerating. The result is that the county expects to accommodate 750,000 people by 1991—a 60 per cent. increase over today's figure. The impact of growth at this rate is brought home by the County Council which points out that Northamptonshire will take some 8 per cent. of the total estimated population growth for England and Wales up to 1991.

Situated only 80 miles north of London astride the main transport routes, the predominantly rural county with only a handful of medium-sized towns, would have enjoyed prosperity and expansion even without the hot-house development which has been pressed on it. Both Northampton and Corby have been designated new towns while Wellingborough and

Daventry are expanding, the four single-minded development former taking overspill from London and the latter from Birmingham.

Well-intentioned as the projects may have been, the strains are beginning to show—particularly on finance. It is not without significance that ratepayers' action groups have sprung up throughout the county and that Northamptonshire activists were in the vanguard of the protest movement which swept through the county last year.

Mr. Gordon Roberts, leader of the slender Labour majority on the County Council, describes the financial situation as "serious" and says that he is "very worried." From many politicians such words could be taken with a pinch of salt but Mr. Roberts is one of those moderate and serious-minded people who have committed themselves to local government.

## Rates

"It has been hard so far but I dread to think what will happen to rates next year and the year after. We may be forced into saying to people that we can no longer afford to offer their children the education which they have come to expect."

With the look of a man well aware that unpalatable decisions have to be taken, he adds: "We cannot kick out old people from council homes or throw the mentally handicapped onto the streets."

The main complaint of the County Council is that in addition to its normal ongoing responsibilities in a period of rapid inflation it is also required to meet the infrastructure costs of the expanding towns, or what it terms "the

four single-minded development agencies."

The competing claims on the authority's limited financial resources creates capital programme burdens "out of all proportion for a county of half a million population," it is claimed.

The example is cited of the 1974-75 major school building programme, which, at £4.6m. is said to be the fifth highest of all local authorities irrespective of size.

Mr. Roberts points out that in the last two years capital programmes have been drastically pruned because of their implications for the revenue account. He draws attention to the 430 temporary classrooms which have to be used to cope with the number of children starting school. The county's figure is three times the national average.

"We have listened to the ratepayers groups and to individuals for ideas for cutting back on spending but it usually comes down to trivial issues like cancelling evening classes for Scottish country dancing," he says.

The council has put up its plate for special treatment by the Government and, without it, the consequences for the expansion programme could be serious. The county says that though its transport supplementary grant was one of the highest in the country the amount was still only sufficient to continue existing contracts and to start one major new road scheme in Northampton.

No major new highway has yet been built in Wellingborough, which is scheduled to double its population by the 1990s, and the district council is understood to have made

representations to Mr. John Silkin, the Minister for Planning and Local Government.

Potentially more serious than that, the county council has warned that development of the southern district of Northampton—the second phase of a programme to boost the town's population by 100,000 by the mid 1980s—must be in question because the resources to finance the building of the principal roads cannot be programmed.

## Crippling

Mr. Roberts maintains that the only solution short of crippling the expansion programmes is for the Government to find some special formula for grant. The county has joined with Buckinghamshire, Cambridgeshire, Cheshire, Lancashire and Shropshire to collect statistics which illustrate the impact on local authority finances of pursuing policies of developing new and expanding towns. But the major document in Northamptonshire's campaign is its reply to the Government's consultative paper on the new towns. The opportunity was taken to recommend a major shake-up in the areas and composition of the development agencies in the county.

Calling for renegotiation of the current new town agreements, the document suggests that there should be two development corporations—one embracing Northampton and Daventry to the west of the county and another responsible for Corby, Wellingborough and the A6 towns, like Rushden, to the east.

Yet more radical, the council proposes that in the pursuit of local democratic control—rather than all appointments coming from the Minister—local authorities should have the right of direct nomination and a majority on the Boards of the development corporations.

The proposals, framed as an opening gambit for negotiations with the Department of Environment, reflect the issues to which the County Council seeks answers.

The need for specialised development agencies charged with the specific role of pressing expansion is recognised, but probably more important are the new sources of funds such bodies can open up. Conscious of the shortcomings of the present system of local authority finance, the county undoubtedly sees the development corporations as one possible help for its problems.

The appeal for democratic control reflects the desire of the Council to try to reconcile the conflicting interests not only of the four expanding towns but of the county as a whole. Concern has been expressed that the development agencies are pursuing policies to achieve housing and employment targets in line with nationally determined objectives regardless of the impact upon surrounding areas.

Such individual targets could run counter to the county's strategic plan now under preparation. For example, the point is made that both Daventry and Corby benefit from heavy investment in their infrastructure but are lagging on population and employment, while Northampton has the jobs but requires heavy capital investment on roads and other facilities.

The argument is also put forward that the growth which

the expanding towns are enjoying may be at the expense of revitalisation of other parts of the county, such as towns like Desborough and Rothwell along the route of the A6. Not only on employment but on a whole range of new facilities whether roads, schools or community provision the new towns are demanding an undue share of limited county resources.

In such terms are the strains resulting from the rapid growth of the county expressed. There are problems but they are problems of success—problems which come from the attractions Favell district centre with the area offers for development. 210,000 square feet of retail

space plus leisure and community facilities, while the £5m. Grosvenor Estate's development in the town centre will open shortly.

Large-scale central area development schemes have also either taken place or are under way at Kettering, Wellingborough, Daventry and Corby.

Expansion may be posing questions and placing strains upon the administration of local government but these are the sort of problems for which many areas of the country would be grateful.

Arthur Smith

## Industrial expansion

THE BOOM which Northamptonshire has enjoyed in recent years has left it with enough growth and to that extent is fat to digest: the county town, for example, has created 9,000 new jobs of which more than half are still in the pipeline. But there is no doubt that the mood has changed and questions are being raised about how long the good times can last. Indeed, the general feeling of uncertainty among the business community, in this prosperous area with a good proportion of young growth industries, is an indication of how serious is the current national crisis of investment confidence.

Northamptonshire has pursued a policy of employment led growth and to that extent is obviously dependent upon the vagaries of the national economy. Mr. Leslie Austin-Crowe, Northampton Development Corporation chief estates officer, reports a continuing steady trickle of inquiries about industrial sites but says companies are tending to shelve investment decisions.

"There is no undue concern about the present situation but there must be a question as to how long it will be before the

country recovers from the current recession," he says.

Northampton Chamber of Commerce confirms that businessmen have adopted a "wait and see attitude." Assistant secretary, Mr. Geoffrey Field, says: "The main fear among industrialists only 12 months ago was of serious labour shortages but these have not materialised and in general employers are now not taking on labour."

Traditionally an area of over full employment, the number of jobless has edged upwards over the past 12 months to an overall 2.6 per cent. in the

CONTINUED ON NEXT PAGE

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## NORTHAMPTONSHIRE II

## Commercial development

SUCH IS the growth being experienced in this county that none of the major towns is without some form of important commercial development project. Town centre developments with the provision of new shopping facilities mainly in mind, are blossoming throughout the area, some of them only a few miles apart, and although some people have suggested the county may soon be over-shopped, little trouble is experienced when it comes to letting the new shops and a look at the customers swarming the streets of each centre does not testify to any retailing doubts.

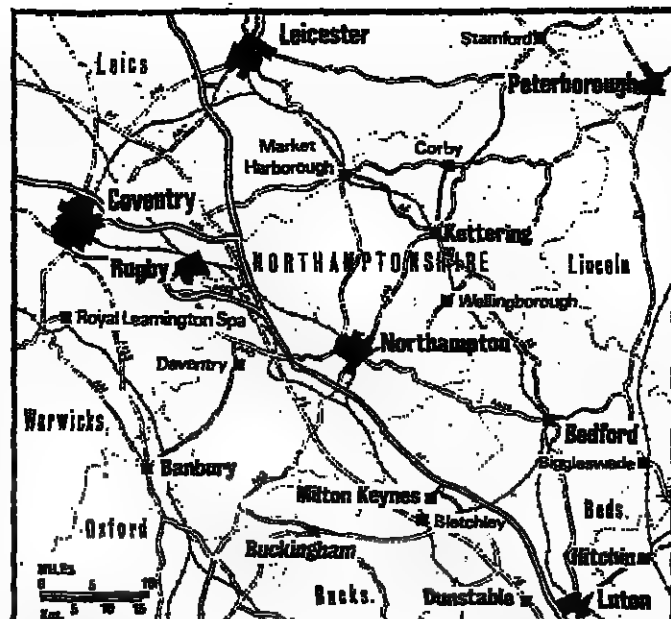
Again as with everything else here, the main centre of the effort is Northampton itself which has a 300,000 square feet of shopping space last October.

The eastern district shopping plan has been raised in Northampton and the Development Corporation has always taken

Weston Favell Centre, and apart from the shopping, it includes all the constituents of a town centre in its own right—cultural and sporting centre, health centre, church, school, library and car parking, as well as a public house and other facilities.

The shopping facilities themselves include two large supermarkets, one being taken by Tesco and the other by Supermarket, and the usual great variety of shops that one would expect to find serving the community round about—the centre is strategically placed in the heart of the main new town expansion zone.

The other expansion zone in the south will have a district shopping centre based at Pennington, but this will be on a much smaller scale. In addition to the summer to add to the district centre in the eastern town centre itself, the new town part of the new town area is served by smaller local centres of three or four shops, which added over 200,000 square feet of shopping space last October.



great pains to ensure that the original town centre remains the real focal point. Nevertheless, Weston Favell is a major complex, and the fact that its facilities were advertised on TV at the time of opening makes one believe that it could, and would like to, exert something of a pull on shoppers not only from surrounding villages but in places like Wellingborough and Kettering to the east as well.

However, the importance of the traditional centre of Northampton is certainly not taking a back seat. The Grosvenor Centre opens this summer to reinforce the town's regional shopping centre claims. This is a 300,000 square feet shopping complex that houses 58 retailing units—all let. There has been some delay in opening because of a fire, but the Sainsbury supermarket is expected to open quite soon.

The Grosvenor Centre is a prestigious retail development of the kind to be expected in a town that hopes to exert a regional shopping pull that will outdo Leicester. There is no doubt that the Grosvenor

Centre, when added to Northampton's existing high-standard retail facilities, will emphasise the town's claim to regional importance in a region that stretches quite far, and the claims about outdoing Leicester in this part of the country cannot be dismissed.

Northamptonshire's second New Town, Corby, also boasts town centre redevelopment with the emphasis on shopping. From an original town centre of just 110 shops in 326,000 retailing square feet, the Phase One development that was opened in 1973 added 42 shops and 97,000 retailing square feet. Plans for two further stages do exist, but the planners are "playing it by ear" and saying that present town centre shopping facilities are adequate for the next five or six years. Phase Two would be added to the south of the town centre, and Phase Three to the north.

In the new areas of Corby, a policy of district centres and "corner shop" supermarkets adds a further 100 shops and another 82,000 square feet. Apart from these new towns, 245,000 square feet of existing

the county's expanding towns are pushing ahead with retail development too. It has been estimated that Wellingborough will require about 1m. sq. ft. of floor space for shops, offices and other town centre uses by 1981, and pedestrian shopping malls linked to existing shops form the basis of the central plan. Phase One of this new complex is under construction and should be opening in 1976-77.

In Daventry Phase One of the town centre development scheme opened in the middle of last year consisting of a Waitrose supermarket and 28 shops. Phase Two is now in the planning stage and should be started within two years, while a Phase Three is also planned.

On a smaller scale than these developments, in Kettering a Phase One scheme of 14 standard shop units was opened in October, 1969, and Phase Two is already under way. This includes a supermarket for Sainsbury's, two large shops, and four standard shops, to be opened progressively from January, 1977. Phase Three is planned, but no start date is known yet. Kettering likes to boast that it is expanding "the natural way." In Rushden a large supermarket has just opened and demolition work has started on another retailing site, so it will be seen that there is no town in the country not active in retail development in some way.

Northampton, already among the top 20 regional office centres, is the natural focus for much activity, and it is hoped to provide another 1m. square feet of offices in the town centre by 1981 to take the total to around 3.5m. square feet.

At Kettering—unlike Northampton which is actively trying to attract firms relocating from London and the South East—the bulk of the office content is for locally generated demand. Wellingborough, with some 245,000 square feet of existing

accommodation, is pursuing a modest programme of office development, but only a few small projects are likely to be forthcoming in the other principal growth towns of Corby and Daventry.

Northampton benefited from the activity generated by the property boom and a number of important projects are still in the pipeline, with 370,000 square feet currently under construction. Around 100,000 square feet of accommodation in the new Grosvenor Centre should start to become available shortly, and by next spring work should be nearing completion on 200,000 square feet of offices above the new central area bus station.

Apart from development in the town centre, offices are planned for the district centres and land is available on "campus sites." Work started recently on the first major campus development which is a new headquarters for the Anglia Building Society. The three-storey building will provide 108,000 square feet of accommodation on a 10-acre site.

Northamptonshire estate agents, Wilson and Partners, say that inquiries are still being received from companies wanting to decentralise from London, but firm offers are not usually being made on available space.

"An interesting pattern in variation of rents is emerging in Northampton depending upon the facilities offered and now more care than ever before has to be exercised in assessing value. Rents vary between £1.75 to £4 a square foot for new accommodation available on the market now," according to Wilson. Including older property, around 50,000 square feet is currently empty and unlet.

By a Correspondent

## Industry

CONTINUED FROM PREVIOUS PAGE

county, ranging from 2.4 per cent in Northampton to 3.7 per cent in Corby. Redundancies have tended to come in small batches as a result of general pruning of labour forces, while the arrival of new firms to the county has helped to cushion the impact.

Fortunately for the county, the growth which it has enjoyed over the past decade has produced a more diverse employment structure. Though world famous for its boot and shoe industry, this has long since given way to light engineering as the principal employer.

Northampton, where at the beginning of the century there were some 150 footwear firms providing work for half the town, is now down to 18 factories employing fewer than 5,000. Hit by cheap imports and sluggish sales over the past 12 months, the footwear industry has suffered prolonged short time working and at one

point a quarter of the Northampton factories were working less than a full week. However, Mr. G. D. Franklin, secretary of the Northampton Town Footwear Manufacturers Association, says that the worst is now over and that production hours are largely back to normal.

Northampton tends to specialise in men's quality footwear with some production of traditional, rather than high fashion, women's shoes, and Mr. Franklin maintains that the industry in the town is unlikely to shrink further. "Most firms cater for a specialised market and are firmly entrenched," he says, pointing to companies like Church, which apart from its home sales of high grade shoes has good export markets in North America and the European Economic Community. Few villages in the east of the country are without some form of footwear manufacture, but it is only components, but the principal centres are Wellingborough, Rushden, Kettering and Corby.

## Escaped

While Northampton has escaped the worst of the downturn in the industry, the county, which tends to manufacture lower and medium priced footwear, has suffered several hundred redundancies over the last eight or nine months. The County Association reports that certain factories are still on short time working and that with short order books the future looks "fairly bleak."

The dependence of some of the smaller towns along the route of the A6 upon the footwear industry has prompted concern by the County Council to try to diversify employment, but Corby is the town in the east of the county which has attracted most attention because of its employment imbalance.

The dependence of Corby upon what was then Stewarts and Lloyds steelworks—now the headquarters of the Tubes Division of the British Steel Corporation—was the reason for its Lorraine des Produits Metal designation as a new town in 1950. Since then well over 50 new firms have been established in the town but there is still need to attract more service industry and office employment if diversified job opportunities are to be provided.

By contrast, at the other end of the county, Daventry, which at 3.6 per cent has a similar level of unemployment, needs to attract manufacturing industry electronic equipment, has

moved to the town. The success of Northampton's employment drive cannot be questioned, but where the County Council is beginning to express concern is in the competition for industry between towns, and particularly the designated expanding areas. With responsibility for the county as a whole, the Council must strive to achieve an employment balance and an equitable distribution of job opportunities.

The problem is exacerbated by the fact that just to the south of Northamptonshire is Milton Keynes new town and to the east is Peterborough new town. At a time when the national economy has turned down and there is very little mobile employment, there is a very strong case for the Government to heed the warning of the County Council and to co-operate in trying to establish which towns and communities ought to get priority.

Arthur Smith



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## The Executive's World

EDITED BY JAMES ENSOR

## THE OUTPUT LEAGUE

Airlines	Output/capita	Turnover	Employees
SAS	19,200	287	14,900
Lufthansa	16,900	482	23,800
KLM	16,900	282	16,700
Swissair	15,900	252	14,100
Air France	15,900	427	20,600
Alitalia	14,200	215	15,600
BRITISH AIRWAYS	11,000	647	58,800
Aerospace			
Dassault	20,000	302	14,900
Saab-Scania	15,900	514	32,400
VFV-Fokker	13,300	228	17,100
MBB	10,600	179	18,700
Aérospatiale	9,200	345	37,500
Snecma	9,000	172	19,100
ROLLS-ROYCE	7,200	432	60,000
BRIT. AEROSPACE	7,000	500	70,000
Coal			
Saarbergwerke	13,573	388	28,400
Ruhrkohle	9,289	1,375	148,000
Schweizer Brwks.	9,016	192	23,900
Charbonnages	4,757	435	9,500
NAT. COAL BRD.	3,065	1,033	337,000
Motors			
Opel	18,433	1,051	57,000
Volvo	15,900	1,052	64,400
Daimler-Benz	15,423	2,404	156,000
Volkswagen	12,927	2,779	215,000
Peugeot	10,646	2,084	194,000
Renault	10,308	1,802	175,000
BRIT. LEYLAND	7,666	1,544	204,000
Fiat	7,432	1,534	201,000
Railways			
NS	9,734	260	27,000
SJ	8,943	456	31,000
SSB	7,961	334	42,000
SNCF	6,100	2,849	404,000
SNCF	4,890	287	59,000
SNCF	4,671	1,321	283,000
FS	3,770	377	100,000
BR	3,154	789	250,000
Shipbuilding			
Rijn-Schelde Yrme.	12,000	342	28,300
Chantiers d'Atque.	11,441	720	10,500
Hovaldswerke	11,400	780	15,800
Italcantieri	6,000	148	28,000
BRIT. SHIPBDRS.	3,700	330	95,000
Steel			
Thyssen	21,074	1,943	92,200
Krupp	16,570	1,259	76,000
Rhein Stahl	16,517	1,024	62,000
Esst	16,200	1,231	76,000
Salzgitter	15,900	890	54,000
Manneberg	14,800	1,627	110,000
Isidoro	14,200	789	49,000
Danain	12,090	1,048	84,000
BSC	8,048	1,775	220,000
Transport			
Kuhn & Nagel	45,304	312	4,900
Paralpin Welspt.	33,300	183	1,400
Schenker	24,184	327	12,500
RATP	6,178	222	36,000
NAT. FREIGHT	4,407	223	50,400
NATIONAL BUS	2,950	200	67,800
LONDON TRNSPT.	2,740	182	55,000
Utilities			
Nederlandsche Gas	389,000	548	1,400
Nuigas	89,207	289	2,900
NWK	84,220	141	2,600
VEW	49,567	312	4,300
Intercom	25,000	205	8,200
RWE	22,381	1,278	57,000
Gas de France	14,400	389	27,000
SEB	12,174	168	13,800
ELECTRICITY	11,057	1,913	175,000
BRITISH GAS	9,519	771	102,000

The figures are based mainly on 1973 turnover and employment figures, with comparisons made at the exchange rates ruling at that time. Source: company reports and studies by

Commerzbank, L'Espresso, Forbuz and the Financial Times. British Shipbuilders and British Aerospace relate to the estimated turnover and employment levels of the companies now being nationalised.

## Britain's overmanned State industries

BY JAMES ENSOR

NOW THAT it is clear that Britain is staying in the Common Market, the Government will have to devote some attention to the general lack of competitiveness of British industry.

Britain's biggest disadvantage lies in its nationalised industries—both those nationalised in Britain for political or financial reasons such as steel, aerospace and shipbuilding and those which are nationalised in most European countries such as transport and utilities.

In nine major industrial sectors, which account for the great bulk of the transport and utility infrastructure as well as a preponderance of heavy manufacturing industry, the British company is in every case significantly less productive—in terms of output per capita—than its Common Market or European rivals.

## Low output

The startling fact is that not only have the industrial sectors nationalised by the post-war Labour Government, like railways, coal and road transport, failed to match the growth in productivity in similar Continental businesses; but the private companies, which have more recently fallen into the state net, such as British Leyland, Rolls-Royce, British Aerospace and British Shipbuilding (both formed this year out of the private sector), produce less output per man employed than any of their main European rivals.

The worst cases of low output per capita are in shipbuilding and coal, the traditional foundations of Britain's 19th century power. Output per man in these industries is only about one-third of those in the more productive European industries.

In steel and motors, the nationalised British enterprise achieves only about half the output of its most successful German rival. Even in air transport and aircraft manufacturing, in which Britain has always invested heavily, efficiency falls below the levels achieved by rivals.

These figures put into perspective the determination of Sir Monty Finniston to reduce by 20,000 the manning levels of Britain's steel industry. For with its 220,000 workers, British Steel has a lower turnover than its German rival Thyssen, which employs only 92,000. To bring itself into line even with the average European producers, the corporation would need to shed half of its workers.

The uncompromising attitude

taken by the Secretary for Industry towards redundancies raises worrying questions about the future viability of some of the major British industries which are answerable to his department. For every one of the chairmen of the state industries who have been meeting under the aegis of Mr. Richard Marsh, of British Rail, presides over a business which is less efficient than most of its main rivals. Their objections to political interference in their affairs, in particular to their efforts to bring about an orderly reduction in over-manning, seem quite valid in the light of their productivity figures, when set on a European, rather than national scale.

The importance of these industries to Britain's economy can scarcely be overstated. They include seven of the twelve major British corporations, ranked by capital employed (eight if the Post Office were included). Only the oil majors, ICI and Unilever match their scale and contribution to the British economy. If their productivity growth is slow, so will be that of the British economy as a whole.

## Small plants

British Leyland, with its inheritance of 80 plants, can scarcely compete on equal terms with Volkswagen, which grew up as a single entity in the post-war period, centred round a massive plant at Wolfsburg. British Aerospace is still saddled with the small plants of the competing concerns established in and after the First World War. The shipbuilding industry, despite the money spent on the Clyde and in Belfast, has far too many small units. Steel lacks the integrated coastal massive plants, which it is part of the Finnish strategy to establish.

In other cases, political interference must have played a substantial part in the poor performance of the industry. British Rail could show far higher output per man if the Beeching reforms had been followed through and it had been streamlined to an inter-city network—even though as the railway economists argue it might still be unprofitable. London Transport and the National Bus company have deliberately been operated as social services, with fares held below economic levels and service frequencies far higher than in many Continental undertakings.

Of course, obviously the crude figures of output per man do disguise very real differences in the operational



status of the corporations—and nowhere is this more true than of the utilities. A gas undertaking, working entirely on natural gas, as in the Netherlands or an electricity business which relies on hydro-electric power must, necessarily produce a much better output per man than a power business based on more traditional technology.

## Competition

Even so, the question arises whether the German or American system of operating utilities on an area basis, so that there is competition at least in the adoption of new technology and in the manning levels, through price comparison, may not be more successful than the British approach of a single, national authority which only competes with alternative sources of supply. The Conservative Government, in establishing the second-force airline British Caledonian, recognised that competition may be healthy even for state industries, provided that it does not lead to wasteful duplication.

Sir Don Ryder, the head of the National Enterprise Board, which as a public company was

who will obviously have a considerable impact on Government thinking about industry, argues that competition within sectors between state and private concerns is the ideal system. He stresses that the essential difference between an industry like motors (and the same thinking applies to the other nationalised manufacturing concerns) is that it has no captive customers who are forced to buy its products. It thus differs from the utilities or transport concerns and needs a far more entrepreneurial approach to its operations.

The present system of operating nationalised industries, under which losses are subsidised by the state and in some cases price levels are deliberately maintained at uneconomic levels offers little incentive to raise productivity through closing down operations and making men redundant. Yet low productivity and poor efficiency goes hand-in-hand with a poor return on capital which makes it ever more difficult to earn the profits necessary to modernise the industry.

The case of British Leyland, which as a public company was

always struggling in earnest to earn the profits to finance the rebuilding of its plants and the refurbishment of its product range, can be duplicated throughout the nationalised manufacturing industries. If the head of the state industry is constantly having to return to Government for capital handouts to maintain necessary re-equipment rates, he will obviously have little leverage in using that capital to reduce manning levels. Yet the whole purpose of capital equipment is to reduce labour input.

## Aerospace

Sir Don Ryder and his team have estimated that it will cost £1bn. to put British Leyland in a competitive shape. The transport sectors now under report said little about redundancy, but most people feel that up to 50,000 jobs will have to go if the group is to achieve Continental levels of production efficiency. In the aerospace industry, insiders have argued that the merger of BAC and Hawker-Siddeley makes sense only if some 30,000 jobs are eliminated through rationalisation.

The count in the far more overmanned shipbuilding industry must be substantially higher.

This adds up to a huge bill in capital investment redundancy and retraining if all of these industries are to be put into competitive shape simultaneously. Steel alone will probably need sums of the same order to British Leyland over a comparable period of years and shipbuilding and coal will need substantial, if far smaller, amounts.

However much one way argue over the statistics—which are undeniably crude for they reflect the low worth of sterling and the price control in some sectors as well as low physical output—it seems clear that certain key, industrial and transport sectors now under state control have fallen seriously behind their Common Market rivals. Unless the inevitability of high capital investment and ensuing redundancy is accepted by the Government, they are likely to suffer from the same vicious cycle of low output, low profits and low investment, steadily repeating itself.

## Turin teaches the Third World

THE DESIRE of the Shah of Iran to press forward with the economic development of his country with all possible speed receives fresh confirmation daily. One recent example was the agreement reached with the International Labour Organisation in Geneva for a \$10m. plus crash training programme, providing for the training of 1,800

instructors, trainers and managers over a three-year period; and assistance to Iran in setting up its own technical training centre at Kara, near Tehran, and in establishing four regional management development centres at Isfahan, Tabriz, Ahwaz and Arak.

Outside Iran itself, the focal point of training activity will be the ILO's International Centre for Advanced Technical and Vocational Training, in Turin, which for a decade or so now has concentrated on courses almost exclusively designed for the developing countries of Asia, Africa and Latin America. The scope of the curriculum is very wide, current courses include: One on earth-moving and road-building equipment; maintenance for a team from Mali; one for personnel man-

gers from a number of French-speaking countries in Africa (in French), and another for a similar group from Latin America (in Spanish); a course on the management of co-operatives for managers from several English-speaking countries of Asia; and one on the marketing of banking services for a team of bankers from Brazil.

Courses may be as short as three and as long as 24 weeks, but the great majority are for three months and must follow a standard pattern. Most of the first week is spent in planning and orientation, and discovering the special needs of participants. There follow eight weeks of nine-to-five study at the Centre, using such familiar techniques as lectures, seminars, case studies, problem-solving exercises, business games. Towards the end of the course two weeks are spent visiting industrial and other facilities in Europe.

The Italian Government makes the largest single financial contribution—just under \$2m.—to the Centre's budget which, before the signing of the contract with Iran—which will boost it by an estimated \$1.5m. a year—was of the order of \$8m., stated Raymond S. Milne, Acting Director, a New Zealander. Other major sources of funds are sister organisations within the UN family: UNESCO, FAO, WHO, the World Bank, the International Atomic Energy Agency; and, most notably, the United Nations Development Programme, which specialises in promoting Third World development.

## Oil rich

In more recent years, new sponsors have come to the fore, such as the oil rich countries of Iran and Libya; and a number of private and public corporations.

Though the Centre is expected to stand on its own feet financially, administratively it is under the direction of the ILO; it was the latter's Director General, who is also chairman of the Board of the Centre, Francis Blanchard, who, for example, signed the contract with Iran.

Its faculty presently consists of some 40 professors, assistant professors and lecturers, of 21 different nationalities, who are qualified to give instruction in

English, French, Spanish, Italian, Arabic and Farsi; last, the tongue of Iran, is a recent addition, which will be supplemented shortly by the addition of eight academically qualified Iranians to the staff.

Structurally, the big change has been that whereas in the beginning the emphasis was mainly on the training of instructors in the vocational field, this now accounts for only about 50 per cent of total activity. Nowadays, a great deal of time is spent training trainers of all kinds, who can return to their own countries to teach others, with a multiplier effect.

## Training

The principal lesson acquired by experience at Turin is that it is illogical and, in fact, impossible to transfer to developing countries without modification techniques of training appropriate for the advanced industrial countries—including management. Conditions in the two environments are entirely different.

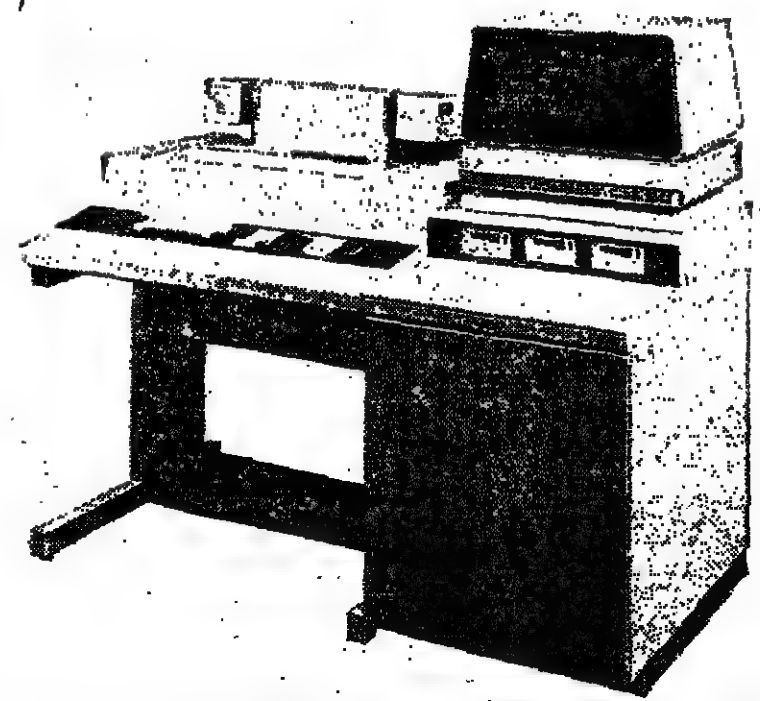
For instance, in a developing country, capitalism, which is the mainspring of Western business enterprise, often does not exist. "No managers may be government officials, and economic policy may be dictated by the programme of the party in power. Enterprises may themselves be monopolies. Hence, competition and the price mechanism are irrelevant to domestic operations—which can create problems when the same concerns want to develop export trade.

If the enterprise is run by the State, either directly or through a public corporation, and financed by the taxpayer, the mechanics of the capital market will be of little interest to its managers. In several countries, personnel managers have to operate in a climate where it is forbidden to give the sack. In quite a few, the trade unions are still in an early development stage, but they feel the need for their officials to acquire skills needed, for instance, in collective bargaining and participation.

With commendable humility, the faculty confesses that it is always learning itself, including from students.

NORRIS WILLATT

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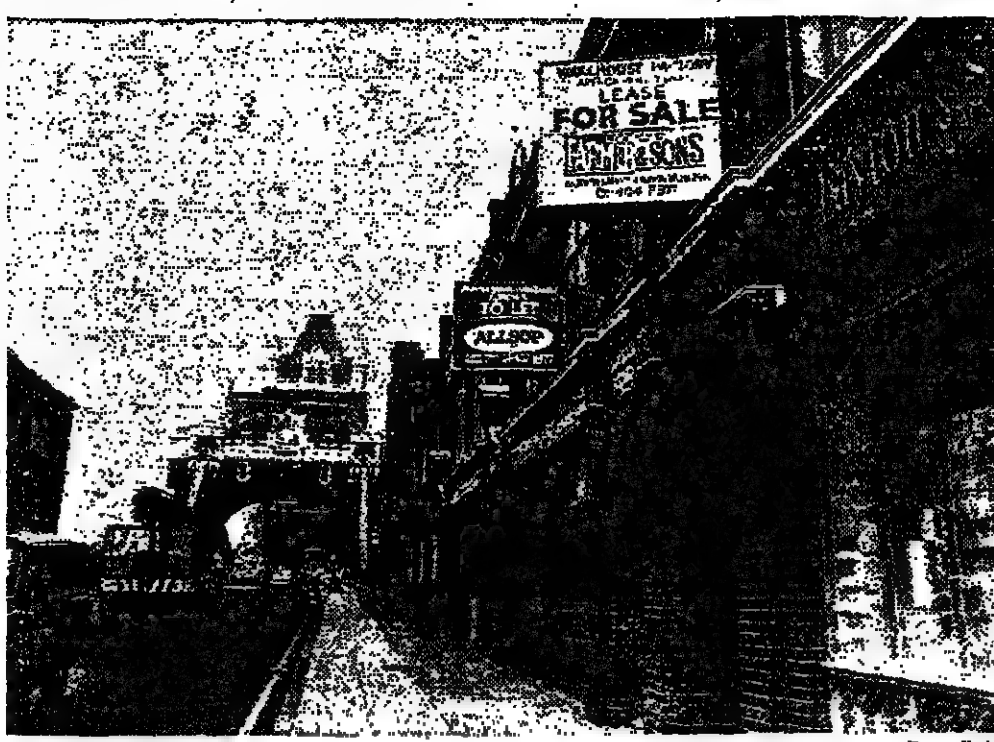
# Sowing the seeds of a factory famine

MANY AN amateur gardener must have felt a sense of outrage last Friday on reading that Suttons Seeds, which has a wonderful 43-acre seed-growing estate just outside Reading, had been taken over by Slough Estates, one of Britain's largest industrial property developers. Some may have been mollified to hear that Suttons will continue to grow seeds on a new estate being cultivated at Torquay. But others may feel even more angry since Slough Estates intends to build warehouses, with all the traffic and noise that they bring, on what was previously a quiet haven close to a major town; the fact that Slough has just received a £5m. loan from Finance for Industry, the Government-sponsored lending bank, will only add to such people's irritation. The argument against them is that the country needs more industrial investment, an integral part of which is the building of modern factories and warehouses.

businessmen to place the blame firmly on the Government. Only last month Mr. Harry Axton, deputy chairman of Brixton, called on the Government to recognise the folly of its current policies towards industrial property and to change course. "If this is not done," he said, "the country cannot hope to catch up with its industrial competitors in Europe and elsewhere... Brixton will have to concentrate its expertise abroad rather than in the U.K." It is a fact that those companies involved in industrial development in and out of Britain agree that the conditions for building factories and warehouses in the U.K. compare unfavourably with most other countries. In part this is no more than a reflection of the malaise affecting the whole of the British economy. But there are certain specific measures—the Development Gains Tax and its associated First Lettings Charge, Industrial Development Certificates, Zoning regulations, planning restrictions and planning delays, the Community Land Bill—which ensure that industrial development here, if, arguably, better environmentally, are a great deal harder and usually less profitable to build than in other industrialised countries.

## Regeneration

There is evidence that the Government at least partially recognises the role that property must play in any programme of industrial regeneration. One of the first loans made by Finance for Industry was the £5m. to Slough Estates in April. FFI's justification



There is no shortage of warehouses for let here, a stone's throw from Tower Bridge. But the present abundant supply of industrial space masks a disturbing situation.

for making a loan to a property company was presumably that, by advancing this money, funds which industry needs for buying plant and equipment are not then tied up in new buildings. One part of Government policy also favours industrial development—at least compared with the building of offices and shops. The Government raised the Industrial Building Allowance from 40 to 50 per cent. last November in an attempt to foster development by owner-occupiers. This has meant that 50 per cent. of the cost of an approved

project can be set against Corporation Tax in the first year. In spite of these measures, industrial development is at a low ebb and the volume of industrial buildings standing empty or under construction and available for letting is increasing. King and Company, the industrial property agents, found in a recent survey that available warehouse space in England and Wales had risen from 13m. square feet in November, 1974, to over 20m. square feet in April. Factory space available had similarly increased, but by a much smaller amount, from 21m. to 23.4m. square feet.

Buildings under construction rose marginally from 11.8m. to 12.4m. square feet. Figures of this kind, the first attempted by a British agent in industrial property, must be treated with some caution. A substantial part of the space is either multi-storied warehouses in congested urban areas or old-fashioned premises with insufficient access, car-parking space and office accommodation, or built to an unacceptably low specification by today's standards. The disparity between an apparent abundant supply of industrial space and the experi-

ence of many companies and property agents of rapidly rising industrial rent levels in some areas can be only explained by this distinction between "acceptable modern" and "total space available." Some agents, particularly those in the south-east, can cite a string of examples of industrial rents rising by 50 per cent. during the past 18 months, particularly among the smaller units of up to 12,000 square feet.

There is an active if inevitably more patchy market in the bigger units, some of which are as large as 200,000 square feet. A few months back, Donaldsons, the property agents, received an inquiry for space on the Parkway Trading Estate at Heston, West London. The caller said that the big problem with West London was that there were too many large warehouses to choose from. This appears to be less so today, following a number of rather spectacular lettings which have mopped up large packets of space. Last month, Haslemere Estates let 120,000 square feet of single-storey warehousing at Enfield to Thorn Consumer Electronics at the high rental of £1.75 a square foot. There are numerous other examples.

## Availability

Other parts of the industrial letting market are less healthy and more accurately reflect the large availability of space which the King and Company survey suggests. Last month, Fairview Estates, which is well known as a house builder but is also very active on the industrial front, unveiled a scheme for granting tenants a 20 per cent. reduction for the first two years of

their tenancy of a new factory or warehouse.

These are clear indications of an oversupply of industrial space. One may reasonably ask how genuine the developers' well-publicised concern for the future of industrial property development is. Some, indeed, argue that developers are upset merely because they cannot make a quick fortune under current legislation and current market conditions.

But however much delight some may feel at the difficulties of property companies, the fact remains that the future for industrial development is ominous. With the exception of the largest specialist industrial developers Slough Estates, Percy Bilton and Brixton Estate—and a few smaller industrial operators like Fairview Estates, the level of industrial development has declined considerably. Little, if any, site assembly work is being undertaken.

The reasons are clear enough. Building costs and development taxes are now so high that it is impossible to justify the erection of speculative industrial buildings on commercial grounds. In the main, the only kind of development taking place is that carried out by the established developers using land banks built up over a period of years. Even then, developments are usually undertaken only if they are pre-funded by an institution anxious to gain a greater stake in secure and politically acceptable industrial development and pre-let to a tenant of repute.

A large number of the industrial projects undertaken in the past did not fall into this category. It is those in particular that are suffering at

the present time. The implication for the future is important because it seems likely that an acute shortage of industrial space will develop in 12 to 18 months' time when the current surplus, and the space already being built, has been absorbed.

## Performance

This assumes, of course, that industry will need more (or newer) factory space and storage facilities than it has now. And this, in turn, will depend on the country's economic performance. Nonetheless, unless present Government policies are changed, industrial property could well see a repeat of the past pattern for office developments exemplified in the space famine which followed Lord George-Brown's ban on office building in central London. This is so even though, most industrial developers believe, the Government has no desire to see it happen.

It is only too easy to foresee the public indignation when warehouse rents, a fairly typical figure in the South East today is £1.25 a square foot, have risen to over £2 a square foot. The developer will be hounded, but the real culprits will be those who have made it unprofitable to continue developing industrial space while the economy was in recession.

Sorting out site assembly, planning permission, financing and construction for an industrial estate scarcely ever takes less than two years. Thus Slough Estate's venture at Reading looks like being one of the few really big schemes which could capitalise on the next world boom which, we are assured, will come one day.

## Natural

Slough Estates intends to spend £3.2m. on buying this large site and a further £5m. (at today's prices) on building 750,000 square feet of warehouses by 1980. At first sight, it is difficult to square Slough's apparent confidence with the generally gloomy view taken by most British developers at present. Although there is still quite a volume of work in hand, very little new industrial property development work is being started.

It is natural enough for

## Letters to the Editor

### Public sector cuts

From Professor A. J. Merrett  
Sir—Since it now employs around a quarter of the employed population and, with some limited exceptions, offers terms and conditions of employment substantially higher than those obtaining in the private sector, the public sector has a major influence on the rate of wage inflation.  
My impression is that it is far more influential than might even be judged by the numbers. This is because the public sector generally does fix national scales of remuneration and, hence, transmits additional wage inflation to all the areas in which local conditions are causing comparable employments to offer less than their national average wage. In other words, it is a great leveller up geographically.  
It seems to me preposterous that it is accepted without question that households still wish to have as much publicly provided services as in the past despite the fact that because of the very large labour content of the services, their cost in real terms (that is, relative to the Retail Price Index) is increasing by 8 per cent. to 9 per cent. per annum.  
As long as the public sector effectively maintains 100 per cent. full employment in its area of activities, it follows that the natural rate of unemployment must be correspondingly higher in the private sector—for example, if the natural rate was 4 per cent. in the public sector, the public sector pursuing this policy it would be 5 per cent. where the public sector accounted for a quarter of all employment. (In practice, it would probably be higher still, given the levelling up effect of public sector employment referred to earlier.)  
Quite irrespective of our appalling short term position, it therefore seems to me that there is an overwhelming case for measures designed to cut public sector employment rather than outside purchases where the cuts are merely imposing the unemployment burden on the private sector.  
(1) A retrenchment in public sector employment (through natural wastage and economies) with the object of returning first to the 1972 manpower level within two years and that of 1970 within three years. As regards local authorities, these targets could be expressed through a real manpower index which allowed for the differing remuneration of the base and thus prevented substitution of highly paid officials for lowly paid clerks. Reductions could also be in terms of actual manpower base dates rather than then and now grossly inflated establishment figures. To enforce this policy the central Government should reduce its aid to local authorities by twice the cost of any failure to comply.  
(2) Abolition of the 1956 parity arrangement whereby civil servants were automatically guaranteed parity with supposedly "comparable" private sector employments. (This parity is highly spurious since it takes no account of MEPC housebuilding may make security of employment offered in the public sector—security which, particularly at current levels of taxation, many individuals would be prepared to sacrifice a fifth or so of their remuneration to obtain.)  
(3) Revocation of the 1971

increase in Pensions Act which created the indexation of public sector pensions—a factor which now makes public sector employment more attractive.  
(4) Effectively phasing out of the additional year of secondary school education by making this optional for parent and child. My impression is that the well over two-thirds who would take the option and that this would consequently both reduce public expenditure and—employment as well as increasing the labour supply in areas where these young people could readily obtain employment (thus making the choice of staying on at school unattractive).  
There are, of course, a large number of other measures which might be adopted but these seem to be ones which could be combined practically with effectiveness.  
A. J. Merrett  
London Graduate School of Business Studies  
Russex Place  
Regent's Park, N.W.1

### Nationalisation—a choice

From Mr. F. Stark  
Sir—While the Labour Government is congratulating itself over the Common Market referendum we can ask it in the name of honour to now let us have a referendum on the question of nationalisation.  
Failure to do so will simply illustrate the contempt the Government really feel for the electorate's opinion.  
F. Stark  
Highlands, 176 Southend Road, Wickford, Essex.

### Advantages of a single market

From Mr. P. L. Griffiths  
Sir—There has been some success in persuading other EEC members of the advantages of the British deficiency payment system over the Continental variable tariff system of agricultural support. Nevertheless the pressing problem which remains to be solved is inflation arising from excessive Government expenditure. One possible cure for this which would also further the aims of the EEC would be the introduction of a single currency for all member countries. This would also involve a single note issuing central bank and subsequently a single taxation and social security system.  
The advantages of a single EEC currency would of course be immense for this country. We would, for instance, immediately cease to have any balance of payments problems. All exchange control regulations between this country and other EEC countries would be abolished and the full would be abolished and the full advantages of a single market between the international division of labour would become apparent.  
P. L. Griffiths  
41, Gloucester Place, W.1.

### Building new homes

From Mr. B. Kilroy  
Sir—The difficulties of Northern Developments and MEPC housebuilding may make plausible the letter from Mr. William, president of the House Builders' Federation (May 27). He advocated "a mammoth switch away from council housing towards owner-occupation which would not only save millions of pounds but would do a great deal to restore the four-

teens of a sound economic policy."  
No one can fail to be worried about the plight of the speculators but Mr. William might have looked at some of their inherent weaknesses instead of making a scapegoat out of council housing. Only a balanced and bi-partisan approach will bring any sense into housing finance so necessary for the Government's review and for the stability of the construction industry.  
Mr. William claimed a "proven capacity" of "virtually 250,000 dwellings a year in 1972-73"—when private housebuilding was given its last gasp. By all accounts there was serious overbuilding, over-building of expensive houses, little attention to urban renewal. Do his builders reject public sector work because (unlike the contract builder) they must have speculative profits from selling as well as the legitimate profits from building or are procedures the obstacle?  
Mr. William feigned horror at the recent (undeniably fast) growth in council housing subsidies and subsidies. Yet he ignored comparable growth in subsidies to owner-occupation (through the inefficient system of mortgage tax relief); that nearly a third of all Government expenditure on housing goes to the private sector; the phenomenal growth in banks and building societies' credit for housing, property and construction during 1971-74.  
The private housebuilding industry must surely begin to ask itself, whether it can take for granted that it cannot reach a saturation point in its traditional kind of development, whether it can rely on unlimited supplies of housing credit to the prejudice of other sectors (like industry); whether the open-ended Exchequer liability for mortgage tax relief can grow indefinitely; and whether the present financial anomalies in individual housing costs can be allowed to continue to threaten any counter-inflationary incomes policy.  
Bernard Kilroy  
14, Primrose House,  
Kensington Park Road, W.11.

### Who speaks for whom

Sir—Now that we have a fairly clear picture of the proportion of "working people" Left-wing politicians speak for, it would be nice to know—perhaps by referendum or postal ballot on official statistics—the proportion of "working people" Left-wing trades union officials speak for—other, that is, than for themselves.  
D. J. Macnamara  
21, The Avenue,  
Worcester Park, Surrey.

### Definitions of wealth

From Mr. R. Onwood  
Sir—I would like to comment on Professor Moore's interesting letter of May 31.  
One of the dictionary definitions of wealth is "valuable possession of any kind" and I would have thought that a pension right would have been within the coverage of this phrase. The argument raised by Professor Moore in the first part of his letter should modify the amount of liability of a pension right to tax rather than exempt it.  
Further, I would remind him that many pension plans allow the would-be pensioner to take a capital sum in lieu of pension (within defined limits) on retirement. It could also be argued that accepted wealth such as T. Martin, Neuchemin House, Neuchemin, Bexley, Yorkshire.

### Low level of importance

From Mr. A. Leacragg  
Sir—Why should Joe Rogaly (June 3) or anyone else, be surprised at the low level of importance assigned to "correct spelling" rules of arithmetic?  
I write clear and meaningful English (4.5/1) by a random sample of 1,500 primary school teachers. I suggest the result would have been even more shocking in the case of 1,500 from the secondary schools.  
These are now more than 500,000 members of my so-called profession. Those like myself with higher degrees and membership of a learned society are a tiny and ever dwindling minority. Graduates of any kind are declining both as a proportion of the total (which is ever increasing) and in actual numerical strength (Department of Education and Science statistics—not my personal opinion).  
More than 60 per cent. of the 500,000 "qualified" teachers gained entry to their professional training by means of the bare minimum college entry qualification—that is, five miscellaneous GCE "O" levels or CSE Grade 1 passes (whose equivalence to GCE is a matter of dispute). These do not have to include maths or even English, and often do not do so. Since minimum age of college entry is 18, this rag-bag of the less demanding subject has usually been acquired by multiple exam sitting (intermittent up to the second year) enabled CSE Grade 4 to be converted to a Grade 1 equivalent by a CSE pass in a Mode 3 exam (internal) with a high proportion of the total credit for coursework whole value is a matter of opinion).  
There has been a recent move to improve quality by stipulating a minimum entry requirement of two "A" levels leading to a B.Ed. course. The main effect of this would appear to be to reduce still further demand for college places and to clobber science and maths departments already suffering from a severe dearth of students.  
A. D. Leacragg  
79, Willon Street,  
Denton, Manchester.

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### Collective bargaining

From Mr. T. Martin  
Sir—How is it that those leaders of powerful groups on the one hand speak so strenuously in pursuit of the spirit of free collective bargaining, yet on the other hand indulge so willingly in tactics that can only be described, by those subjected to such measures, as fettered collective bargaining?  
Sir—How is it that those leaders of powerful groups on the one hand speak so strenuously in pursuit of the spirit of free collective bargaining, yet on the other hand indulge so willingly in tactics that can only be described, by those subjected to such measures, as fettered collective bargaining?  
T. Martin  
Neuchemin House, Neuchemin, Bexley, Yorkshire.

## To-day's Events

Mr. Ismail Fahmi, Egyptian Deputy Premier and Foreign Minister, begins two-day talks with Mr. Harold Wilson, Prime Minister, Mr. James Callaghan, Foreign Secretary, Mr. Peter Shore, Secretary for Trade, and Mr. Roy Mason, Defence Minister, London.  
International Monetary Fund interim committee begins two-day session, Paris.  
TUC leaders meet Mrs. Shirley Williams, Prices Secretary, London.  
EEC agricultural ministers' meeting continues, Dublin.  
Mr. Fred Mulley, Minister of Transport, speaks at Institution of Municipal Engineers' conference, Scarborough.  
Chartered Institute of Public Finance and Accountancy annual conference begins, Torquay.  
Print Fair opens, Conrad International Hotel, W.6.  
PARLIAMENTARY BUSINESS  
House of Commons: Finance (No. 2) Bill, committee.  
House of Lords: Scottish Development Agency (No. 2) Bill, committee.  
OFFICIAL STATISTICS  
Borrowing by local authorities (1st quarter).  
COMPANY RESULTS  
Chloride Group (full year).  
Harrisons and Crosfield (full year).  
Hill Samuel Group (full year).  
Johnson, Matthey and Co. (full year).  
COMPANY MEETINGS  
Ambury and Madeley, Birmingham, 12.  
Avery, Warley, W. Midlands, 12.15.  
Chersonese (F.M.S.) Estates, 10, Slings Lane, E.C. 12.  
Dundee Crematorium, Institute of Chartered Accountants, Moorvale Place, E.C. 12.  
Electrical and Industrial Securities, Brewers' Hall, Aldermanbury Square, E.C. 12.  
Empire Stores (Bradford), Bradford, 12.  
Garnar Scotland, The Grange, Bermondsey, S.E. 230.  
Harrison (T. C.), Sheffield, 2.30.  
Office and Electronic Machines, Carlton Tower, S.W. 12.  
Root Harvesters, Peterborough, 2.15.  
Smith St. Aubyn, White Lion Court, E.C. 12.30.  
Tartan McCaul, 1, Harley Street, W. 10.30.  
United Newspapers, 23, Tudor Street, E.C. 12.  
BOXING  
British middleweight championship: Maurice Hope v. Bunny Stirling, National Sporting Club, London.

# SCHLESINGER PENSION FUND MANAGEMENT

"... split fund management works..."

Peter Baker  
Schlesinger Investment Director

In the USA, the appointment of several investment managers to a large pension fund is standard practice. In the UK this excellent procedure is followed by only a few major funds. The case for "splitting" management of a pension fund may be made quite simply. If Trustees split the fund management, it is usually the case that the managers will tend to try harder!

Most companies have to compete to survive in today's very competitive markets. Competition increases the efforts of their management team.

So it is with pension fund management. Where there are competing investment managers, they will all be working hard for successful results.

It is, of course, essential that the appointment of competing managers is handled professionally. Investment results should not be assessed on a short term basis. A most important consideration in the appointment of investment managers to large pension funds is for the Trustees to be aware of the managers' investment philosophy.

The Schlesinger investment philosophy can be summarised in these right points.

- An international approach to portfolio management.
- An emphasis on quality companies.
- A specialisation in active management of funds.
- An emphasis on the medium to long term view, reflecting the nature of pension fund liabilities.
- The avoidance of the £ premium to the greatest extent possible under Exchange Control Regulations, by the use of foreign currency borrowing facilities. We consider the £ premium a high risk nil yielding investment.
- A belief in concentrated portfolios (no fewer than 25 holdings; no more than 75 holdings).

- An emphasis on total return (income yield and capital appreciation combined) whilst recognising the importance of income yield to a tax free pension fund.
- A professional attitude to the measurement of risk and the avoidance of undue risk.

It is well known in the City that Schlesinger were strong buyers of US and UK Equities and Gilts towards the end of 1971 and into 1975. All portfolios under Schlesinger management have achieved substantial growth since late 1974. The Schlesinger managed Trident American Growth Fund, for example, since its inception in August 1974, has risen by 18.8% against a rise in the Dow Jones Index of 8.6%. This fund is up by 37.2% in 1975 to date.

The Schlesinger investment team led by investment Director Peter Baker, has extensive experience of institutional investment management - Schlesinger already manages institutional portfolios, pension fund accounts, the PIMS unit funds and private client portfolios totalling £55 million.

The investment team has also been responsible for the excellent results achieved by the Trident Managed Portfolio range of insurance bonds. As these are unlisted and quoted publicly, the measurement of their investment performance is easily calculated. These funds were launched in August 1973 and have achieved a relatively good performance against a difficult market background, as you will see below.

From inception August 1973 to May 30, 1975	
Trident Managed Fund	+11.2%
Trident Guaranteed Managed Fund	+23.3%
Trident High Yield Fund	+18.9%
Financial Times 30 Share Index	- 6.3%
Financial Times Actuaries All Share Index	- 7.0%
All figures include re-invested income	

Schlesinger - active management brings results

Contact P C Baker MA ACA  
Schlesinger Investment Management Services Limited  
19 Hanover Square, London W1A 1DU Telephone 01-409 3100



# COMPANY NEWS + COMMENT

## Peak £45.52m. from A. B. Foods

ON SALES up from £881.22m. to £1,066.76m., group pre-tax profit of Associated British Foods expanded from £30.74m. to a record £45.52m. in the year to March 29, 1975, after £18.7m. against £16.6m. for the first half.

The year's profit is struck after substantial increases in depreciation at £19.57m., compared with £17.83m., and interest charges up from £7.19m. to £11.16m.

A second interim dividend of 1.0327p lifts the net total from 1.463p to a maximum permitted 1.5886p per 5p share. Earnings are shown at 6.01p against 5.45p.

Once again, good sales growth at home more than offset the effects of lower margins which have fallen from 2.5 per cent. of sales to 3.6 per cent. while overseas margins fell from 6.1 per cent. to 5.7 per cent., says the chairman, Mr. Garry Weston.

Although a profit improvement that is only some two-thirds of the rate of inflation during the year cannot be thought adequate, it must be considered good in the light of the application of price controls which eroded and, in one instance totally destroyed, the operating margins in the United Kingdom and affected some overseas divisions.

While transitional relief, such as that given on stock appreciation, is welcome, Mr. Weston says it is an artificial device that evades dealing with the fundamental problem of inadequate margins.

Of the £5.8m. pre-tax profits increase, £4.5m. was contributed by the U.K. A significant advance in pre-tax profits in South Africa and elsewhere more than offset the reduction in Australia and the overseas divisions increased profits by £1.3m.

Net assets advanced from £224.97m. to £288m. and the profit, before tax, as a percentage of these was maintained at 17.6 per cent.

By the end of the year the group had succeeded in containing the increase in working capital and while maintaining the policy of heavy investment in new assets with a record expenditure of £45m., projects were restricted during the year to contain expenditure within the funds generated by the group, the chairman reports.

See Lex

## Seaford Gentex loss warning

PRESENT indications are that results of Seaford Gentex, Cork-based textile group, for the year to September 30, 1975, "will show no profit" warns chairman Mr. R. D. Lord in his interim statement.

A first half pre-tax loss of £277,569, against a profit of £607,719 has been incurred, and the directors are omitting an interim dividend payment.

## HIGHLIGHTS

The Bank of Ireland report breaks new ground for this sector by including with the accounts a CPP statement showing the effect of inflation on the past year's profit; the Lex column discusses the position thus revealed. Lex also comments on the results from Associated British Foods, where the overseas performance is marred by a setback in Australia but overall group profits emerge much in line with market expectations; and on the half-year statement from Lomrho which looks for a "substantial" advance in profits for the year. An active year for Chapman and Co. (Balsam) has lifted profits well above the £1m. mark and good results are turned in by Rowlinson Construction and by A. and C. Black; but at the halfway mark Seaford Gentex has swung into losses.

For the year 1974-75 a pre-tax profit of £1.1m. was achieved and a total dividend of 5p per 25p share, less tax, was paid—the interim was 1.375p.

Following his February last report of a "marked deterioration" in first quarter profits, the chairman, Mr. R. D. Lord now says the world-wide recession in the textile industry, together with the problems of inflation at 24 per cent., have had a "disastrous" effect on results.

He said in February it was a matter of strictly controlling expenses and conserving resources until such time as there is an improvement in world textile trade. This is still exactly true, he tells members, but, whilst it is too early to say definitely, there does seem to be "some slight indication" that world textile trading has passed its lowest point.

Group net profit of ICI Australia extracted from £15.5m. to £5.7m., before extraordinary items, for the half year to March 31, 1975.

Tax absorbed \$4m. (£12.8m.) and depreciation charged was \$9.47m. (£11.34m.). There are extraordinary credits of \$12m. (£184,000).

External sales rose by 2.9 per cent. to \$45.8m., reflecting inflation of costs rather than real growth. Sales in terms of quantity were below those for the previous corresponding period, the directors state.

The interim dividend is again five cents per share.

Costs of wages and raw materials increased steeply and it was not possible to recover all costs increases by adjusting prices, the directors explain.

Sales of most products were affected by the continuing economic downturn and the need for customers to make substantial stock reductions. The effect was particularly severe in the textiles and plastics industries and in the rural sector.

He believes, however, that this setback will only be of a temporary nature as there are clear indications that we are entering a period of increased activity in many areas in the years immediately ahead. He is confident that the company has the resources successfully to exploit the opportunities.

Much of the development work in recent years, and the promotional effort associated with it, "now appears to be coming to fruition."

## Advance for A. & C. Black

TAXABLE PROFITS of A and C Black publishers, emerged ahead from £169,000 to £181,000 for 1974, after being £12,000 lower at £179,000 in the first six months.

Earnings per 25p share are stated at 9.2p against 8.9p. The dividend is raised from 3.875p to 3.985p net, with a final of 3.12p.

Turnover was £1.4m. (1974) £1.3m. (1973) £1.2m. (1972) £1.1m. (1971) £1.0m. (1970) £0.9m. (1969) £0.8m. (1968) £0.7m. (1967) £0.6m. (1966) £0.5m. (1965) £0.4m. (1964) £0.3m. (1963) £0.2m. (1962) £0.1m. (1961) £0.0m. (1960) £0.0m. (1959) £0.0m. (1958) £0.0m. (1957) £0.0m. (1956) £0.0m. (1955) £0.0m. (1954) £0.0m. (1953) £0.0m. (1952) £0.0m. (1951) £0.0m. (1950) £0.0m. (1949) £0.0m. (1948) £0.0m. (1947) £0.0m. (1946) £0.0m. (1945) £0.0m. (1944) £0.0m. (1943) £0.0m. (1942) £0.0m. (1941) £0.0m. (1940) £0.0m. (1939) £0.0m. (1938) £0.0m. (1937) £0.0m. (1936) £0.0m. (1935) £0.0m. (1934) £0.0m. (1933) £0.0m. (1932) £0.0m. (1931) £0.0m. (1930) £0.0m. (1929) £0.0m. (1928) £0.0m. (1927) £0.0m. (1926) £0.0m. (1925) £0.0m. (1924) £0.0m. (1923) £0.0m. (1922) £0.0m. (1921) £0.0m. (1920) £0.0m. (1919) £0.0m. (1918) £0.0m. (1917) £0.0m. (1916) £0.0m. (1915) £0.0m. (1914) £0.0m. (1913) £0.0m. (1912) £0.0m. (1911) £0.0m. (1910) £0.0m. (1909) £0.0m. (1908) £0.0m. (1907) £0.0m. (1906) £0.0m. (1905) £0.0m. 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## Index-linked National Savings Certificates Retirement Issue.

### The facts.

This issue of National Savings Certificates is designed exclusively for men of 65 and over and women of 60 and over.

The repayment value of the holding will be related to the monthly movement of the general index of retail prices.

A fixed bonus of 4% of the purchase price is also paid if the certificates are held for 5 years.

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The Retirement Issue is available at Post Offices and Trustee Savings Banks.



## MINING NEWS

## Now Texasgulf eyes the coal scene

BY MALCOLM DUMPHREYS

AMERICA'S Texasgulf has emerged as part of a consortium bidding for Peabody Coal, the largest U.S. coal producer, which is being compulsorily divested by Kennecott Copper following an anti-trust ruling.

Our Montreal correspondent reports that Texasgulf's chairman, Dr. Charles Fogarty, has said his company, which is some 30 per cent owned by the Canadian Government-controlled Canadian Development Corporation, "will set out one way or another because the outlook for demand and prices is bullish."

The chairman also said that active negotiations were still in progress with the Panama Government with regard to the development of the huge Cerro Colorado copper deposit, which was discovered by Canadian Javelin which spent some \$25m on exploration there. It is estimated that some \$800m (1344m) would be needed to develop the prospect.

Dr. Fogarty added that he expects to see a long-term improvement in copper prices and would like an increase in the North American producer price of the metal which is currently 63 cents per pound.

The higher producer price would help the lower cost Texasgulf, \$250m (£105m), expansion programme at the Kidd Creek mine in Ontario which includes a copper smelter, refinery and mine and mill projects on Copper Cliff. The company's zinc stockpile which is now well over 20,000 tonnes, Dr. Fogarty said "we have found that if you keep your cool you eventually make profits from inventory."

### GOLD PRODUCERS CUT DIVIDENDS

The latest batch of June half-yearly dividends declared by the South African gold producers underlines the fact that the lower-grade mines are feeling the pinch between rising costs and a virtually static bullion price. The Durban Deep is declaring an interim of only 20 cents (12.6p), compared with 60 cents at this time last year when the final amounted to 30 cents.

The veteran Rand Proprietary, another favourite in last year's gold share boom, is paying an interim of only 35 cents (13.8p) against 75 cents a year ago and the subsequent final of 40 cents.

Market expectations that Blyvoor would declare a final of 60 cents for the current year to June 30, thus making a total of 110 cents, are lowered by a declaration of 30 cents (13.6p) which makes 100 cents (63.2p), a total comparable with 90 cents for 1973-74.

	June Dec.	June Dec.	June Dec.
1974 1974 1974 1974	1974 1974 1974 1974	1974 1974 1974 1974	1974 1974 1974 1974
cents cents cents cents	cents cents cents cents	cents cents cents cents	cents cents cents cents
Blyvoorvlei	30 30 30 30	30 30 30 30	30 30 30 30
Durban Deep	20 20 20 20	20 20 20 20	20 20 20 20
Rand Prop.	35 35 35 35	35 35 35 35	35 35 35 35

### ROUND-UP

An agreement has been reached between Emperor Gold, BLM Holdings and Australian Anglo-American for a mineral exploration venture on the Fijian island of Viti Levu adjacent to the existing mine of the first-named company. BLM and AAA are both required to spend \$450,000 (£408,000) to each gain a 30 per cent interest in the project which will be operated by AAA.

The Malaysian-incorporated Berantula Tin is declaring a second, and final, interim of 110 cents Malaysian (21p) which makes a total of 200 cents (38p) for the year to April 30 compared with 180 cents for 1973-74. Berantula tin concentrate output for the year to last April totalled 4,313 tonnes against 4,930 tonnes in the previous 12 months.

The estimated cost of developing the rich Naxos zinc-lead mine at County Meath in Ireland is now estimated by Tara Exploration to have risen to \$150m, this calculation being based on a notional completion by the first quarter of 1977. The latest estimate compares with one of \$110m, made a year ago and

### COMPANY NEWS IN BRIEF

**BARRODIA TEA HOLDINGS**—No dividend for 1974 on ordinary shares. Preference shares turnover £741,690 (£683,231), pre-tax profit £73,477 (£32,251), tax £207,100 (£112,129). Earnings per 25p share 10.45p (£4.60p).  
**BELLAR CO.**—Second interim dividend for 12 months making 0.80p so far (total £1,215p for 1975). Current financial year to be extended to June 30, 1975 making 15-month period. Turnover 1974 £1,112,018 (£1,096,863). Pre-tax profit £106,447 (£103,109). Earnings per 25p share 13.60p (£4.70p). Profits have continued to improve but results are somewhat disappointing due to substantial increases in materials and other costs.  
**CLIFFORD AND SNELL** (electrical and electronic engineers)—Interim dividend 0.14p per share (same). Group net profit six months to September 30, 1974, £127,581 (£127,581) after tax of £18,500 (£18,500). Interim dividend 0.14p (same).  
**FEDERATED CHEMICALS**—Regular dividend for 1974 reported May 30 with observations on prospects. Group profit £2,200m, and net current assets £2,200m. Meeting, Connaught Rooms, W.C., July 2, at noon.  
**GLOUCESTER AND CHELTENHAM GREYHOUNDS**—Interim dividend 0.21p (21p) hoped to pay a maximum permissible final dividend of 0.21p (21p). Turnover half-year to March 31, 1975, £24,379 (£20,221). Profit £10,500 (£8,880), less £13,000 (£13,000). Earnings per share 0.66p (0.30p). Trend to increase in turnover expected to continue although operating costs continue to rise. Although Retrospect (in which company has an interest) is still in its first trading year, its order book is strong and valuable interest in its products is most encouraging.  
**HOUSE OF LEROSE**—Indies limited overseas makers—Retailers, ended January 17, 1975, reported April 4. Group net assets £2,200m (£2,211m). Group net current assets £1,331m (£1,331m). A geographical analysis of exports (in percentages) shows: Europe 60.3; North America 24.1; Scandinavia 12.5; and others 2.4. Net profit £2,100m (£2,100m).  
**VIEW FORTY INVESTMENT TRUST**—Final dividend 4.5p but making 1.37p (0.90p) for year to March 31, 1975. Total revenue £17,247 (£17,247). Profit £90,453 (£93,974) after all charges (before tax of £41,621 (£42,222)). Earnings per share 2.00p (1.19p). Net asset value £1.14 (£1.20p).

Tara still awaits the granting of the long-delayed mining lease from the Irish Government.

### May tin outputs

IN VIEW of the current complications surrounding the shares of London Tin following the proposed deal between the Malaysian Government's Perak Securities and Haw Par Brothers International which would give the latter company over 50 per cent of London Tin, the May tin concentrate production figures are of more interest than usual.

Malayan's 241 tonnes is down on the 272 tonnes for the previous month and makes an 11-month total of 2,973 tonnes as against 3,228 tonnes for the comparable period of the year to last June. Southern Malayan's 2,178 tonnes is also for 11 months and goes against 2,339 tonnes previously. Southern Kinta's two-month total of 363 tonnes is 100 tonnes down on the same period of a year ago.

	May	Apr.	Mar.
Tonnes Tonnes Tonnes	Tonnes Tonnes Tonnes	Tonnes Tonnes Tonnes	Tonnes Tonnes Tonnes
Anal. of Nigeria	213 191 194	213 191 194	213 191 194
Aokam	108 106 204	108 106 204	108 106 204
Belantula	321 331 241	321 331 241	321 331 241
Kampong Lajut	27 18 24	27 18 24	27 18 24
Kamuntia	79 77 84	79 77 84	79 77 84
Kranai	42 13 14	42 13 14	42 13 14
Kuala Kemper	89 34 27	89 34 27	89 34 27
Lower Perak	24 20 27	24 20 27	24 20 27
Malayan	241 208 288	241 208 288	241 208 288
Southern Kinta	189 208 186	189 208 186	189 208 186
Southern Malayan	182 191 204	182 191 204	182 191 204
Tungah Barro	60 30 30	60 30 30	60 30 30

Four weeks. Five weeks.

Trombe's monthly output is the lowest since March, 1973, and makes a five-month total of 1,080 tonnes which goes against 1,200 tonnes for the same period of 1974-75. Ayer Hitam's No. 3 dredge was shut down on May 16 to replace a top tumbler and recommenced operations on May 24. Even so, production for the 11 months to date comes out at 3,049 tonnes compared with 2,460 tonnes for the previous comparable period.

	May	Apr.	Mar.
Tonnes Tonnes Tonnes	Tonnes Tonnes Tonnes	Tonnes Tonnes Tonnes	Tonnes Tonnes Tonnes
Ayer Hitam	241 213 213	241 213 213	241 213 213
Southern Deep	184 186 184	184 186 184	184 186 184
Trombe	37 41 41	37 41 41	37 41 41
Trombe	185 202 237	185 202 237	185 202 237

### MINING BRIEFS

**PANAMA CONSOLIDATED**—May output of Bode Tin concentrates 137 tonnes, sold 142 tonnes. (April: 183 tonnes produced.)  
**GOLD AND BASE METAL**—April output of concentrates (75 per cent grade) figures in tonnes: Tin 30, Columbite 1. Four months to date: Tin 125, Columbite 2. (Same period 1974: Tin 146, Columbite 2.)

## Bank of Ireland's strong financial position

DURING THE year to March 31, 1975, when the Western world fell into recession, international financial markets were subjected to severe strain and fundamental questions were raised for economic management. The Bank of Ireland performed well, says the governor, Mr. J. A. Ryan.

As known group pre-tax profit expanded from £15.3m. to £22.59m., the dividend is raised from 20p to 24p gross per £ share and a 50 per cent scrip issue is proposed. The results, by any conventional standards, are outstanding, says Mr. Ryan.

He reports that the financial position is strong and provides a sound basis for the expansion of business and for the security of the interests of customers.

As a result of the issue of £10.25m. convertible subordinated unsecured loan stock and the satisfactory operating performance, capital and reserve ratios "will be recognised as a source of strength by depositors, borrowers and the public alike."

Total resources have grown from £1.08bn. to £1.17bn. This comes from a continued increase in the bank's share of Irish domestic resources offset as a matter of prudence by a contraction in the size of its London (City) office operations having regard to conditions in the international financial markets which developed during the year.

Referring to inflation accounts, the governor points out that the effect of inflation, in depressing the real value of capital employed in the monetary assets, is to reduce in current purchasing power the net profit before tax but after £4.3m. additional provisions for advances from £18m. to £18.6m. Earnings (66.3p historical) are shown at 1.1p CFP.

At March 31, 1975, capital holders interest was £1.62m. (£55.07m.) historical, or £7.14m. (£23.23m.) CFP. The CFP figure includes £8.85m. added to restate bank premises and other properties. Retained profit of £9.91m. historical becomes a deficit of £2.02m. CFP.

Mr. Ryan stresses that the bank cannot itself remedy inflation. Such remedy depends on action by Government supported by the whole of society and while inflation continues the bank must work within its constraints.

Its aim must be to ensure its permanent solvency at the lowest cost to its customers, or, to put it another way, "our continuing policy will be the development of our business so that it functions as effectively and as economically as possible, thereby benefiting stockholders, customers—both depositors and borrowers—and the public generally."

Meeting, Dublin, July 2, noon. See Lex.

ins. minority interests in investment property within the group's portfolio.

### Chapman (Balham) upsurge

PRE-TAX PROFIT of envelope manufacturers, Chapman & Co. (Balham), expanded from £8.75m. to £1.2m. in the year to March 31, 1975, after a first half increase from £0.3m. to £0.53m.

The net dividend is stepped up from 3.2502p to 3.500p with a final of 2.224p.

### British Car Auction

The British Car Auction Group announces that in accordance with the provisions of the Finance Act 1972, its 5 per cent, cumulative preference shares have become re-classified as 3.5 per cent. (plus tax credit) cumulative preference shares.

The company also says that from April 6, when the tax rate changed to 33 per cent, it would appear the company should have paid a dividend of 3.5 per cent, irrespective of the rate of tax, and as a result shareholders have received 0.15p per share too little for the year.

To correct this situation a further payment should be made within the next few days, it adds.

### W. Williams looks abroad

Instead of carrying out its major capital developments during 1975, W. Williams and Sons (Holdings) will rather seek out overseas markets that can utilise its existing plant and skills, according to Mr. H. E. Williams, chairman.

He tells members in his annual statement that, while the company is aware of the world-wide cut-back in industrial products, there seems to be hope of a quicker revival in foreign markets than in the U.K. and the recent variation in exchange rates should make it more competitive.

To meet the greatly reduced demand the two foundry companies have "drastically cut the labour force by natural wastage and redundancy, but even so, further short-time working is not ruled out, and other companies which supply services to the steel companies anticipate reduced requirements from that source, the chairman says.

In all group companies, costs are constantly under review, in line with the changing patterns of

demand, and action taken to maintain margins, and while some "hard and unpleasant" decisions will result, he feels it essential that the company establishes a sound base, ready for the time when demand improves.

As reported on May 6 pre-tax profit was a record £132,544 for 1974, against £278,186 the previous period. Dividend is up from 1.50125p to 1.53p net.

### Brixton Estate growing overseas

At £22m, Brixton Estate's overseas development programme now represents 56 per cent of its total programme, says chairman, Mr. J. V. Verry. New schemes continue to be investigated particularly in Europe.

On property legislation the chairman points out that although the Community Land Bill has been recently published the Development Land Tax Bill is still awaited; and until all the legislation has been enacted, it is difficult to assess with any great accuracy the effect on the Company.

"If as a nation we are to compete with other countries it is vital that new factories and warehouses are available to industry as and when they are required. It is to be hoped that these proposals will be completely rethought and that wiser counsel will prevail."

"In any event, Brixton is fortunate in that its overseas development programme has grown over recent years."

Following the end of the rent freeze the current year results will benefit accordingly, says the chairman.

The directors consider an independent revaluation of properties would not be appropriate at present but an internal review of values has been carried out based on existing market comparisons by the property director.

Arising from this the Board is satisfied that at both December 31, 1974 and at present the aggregate current value of group properties exceeds book value. It is, however, intended that at December 31, 1975 the situation should be further reviewed in conjunction with group valuers.

Meeting, 22-24 Ely Place, E.C., July 2 at 12.15 p.m.

## The Mercantile and General Reinsurance Company Limited

Inflation, political uncertainty and economic instability  
major factors affecting international reinsurance.

In his statement to shareholders Mr. H. K. Gaschen, Chairman of The Mercantile and General Reinsurance Company Limited says:—

"Although the technical results revealed in the Accounts are satisfactory in a number of respects, it must be remembered that they relate mainly to the underwriting year 1973. Since then, for General Branch business, there has been a significant downturn in the world-wide experience which makes certain that 1974 will prove to have been a year of poor underwriting results.

At present, international reinsurance is suffering from a combination of unsatisfactory factors, many of which are recurring in widely separated markets. Inflation is the most universal of these ills and shows no sign of abatement. Meanwhile, political interference in several territories hinders the free development of insurance markets.

The continuing instability of international currency exchange rates is symptomatic of the economic uncertainties which affect an international business such as ours.

No-one appreciates more than the international reinsurer the importance of a sound financial position. In times of currency instability and depressed stock markets, the wisdom of our policy of spreading our investments throughout the world, so as to match our liabilities with assets wherever possible, is fully demonstrated.

### Life

Our Group reached a new milestone in its Life business by achieving a total of new Life sums assured of £1.178 million. Approximately 60% of our total business is administered in our U.K. offices, the remainder being produced by our overseas branches and subsidiaries.

### Fire and Miscellaneous

The year under review was beset with heavy losses, unprecedented in our experience, as a result of natural catastrophes. Affecting principally the Property market, they will undoubtedly have a far-reaching influence on the

international reinsurance scene. The effect of inflation continues to be a special burden to reinsurers especially as concerns third party losses.

Our U.K. Fire figures for 1973 gave, as expected, a satisfactory result and our general view of the market is not unfavourable.

### Marine

We are still looking for signs of a real improvement in the Marine market. The increasing demand for cover, occasioned by inflated Hull and Cargo values, continues to be met on terms which do not appear to recognise the worsening experience. We view with apprehension the over-competitive state of the market for foreign reinsurance business which reflects in many cases only a superficial knowledge of local overseas markets.

### Aviation

We were glad to see some indication that Hull rates had stabilised although, regrettably, premium levels have continued to fall for Liability risks. The latter situation is difficult to understand when unhappily the number of passenger fatalities last year increased substantially. The problem will be difficult to overcome in an expanding market with apparently unlimited reinsurance available to it and we look to the leadership in the market to exert its influence to the benefit of the market as a whole.

### Investments

Our investment income in 1974, compared with the previous year, increased by 26% to a total approaching £12 million.

The general lack of business confidence led to an overall deterioration in the economic situation in 1974. At home, we have suffered especially through political uncertainty, a slower growth rate and rising unemployment and there was a considerable fall in markets especially in the equity market. Consequently, at the end of last year, the book value of our investments was considerably in excess of market value. That situation has now been reversed and the market value of our investments is again in excess of the book value."

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## FENCHURCH STREET'S LOSS IS FINSBURY CIRCUS' GAIN...

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S. Shikano, Chief Representative







## INTERNATIONAL COMPANY NEWS + EURO MARKETS

## Middle East success boosts Daimler-Benz

BY NICHOLAS COLCHESTER

BONN, June 9.

DAIMLER-BENZ has virtually doubled its lorry contract with Iraq and will now deliver about 19,000 vehicles to that country by the end of this year. This was only part of the export news from sales director Heinz Hoppe at last week's balance sheet press conference. Daimler-Benz will deliver 50,000 trucks to Middle Eastern countries in 1975, worth DM2.5bn, and equivalent to 40 per cent of the lorry output of the company's German factories last year.

Such success in a key market is one of the main reasons why Daimler-Benz will be able to increase its turnover by between 10 and 15 per cent to DM1.9bn this year, despite an overall downturn in the world economy. Dr. Joachim Zahn, chairman, said that he could already judge from the structure of the company's deliveries that profit would not be down on that of 1974. In the first four months the group's turnover rose by 15.6 per cent to DM5.5bn, with an 11 per cent rise in home turnover and a 20 per cent rise in sales overseas.

Last year Daimler-Benz AG, the parent company, achieved a profit of DM289m against DM277m in the previous year. That after tax earnings could be so sustained, in a year that was very painful for the German motor industry as a whole, was due to generous interest earnings and to Daimler-Benz's ability to increase turnover and production in both cash and volume terms.

While the whole German car industry produced 22 per cent fewer cars in 1974 than in 1973, Daimler-Benz increased its production by 2.5 per cent. While the German commercial vehicle industry reduced its unit output by 13 per cent, Daimler-Benz's total production fell by only 4.9 per cent. The latter fall was due solely to a cut in the production of lorries, with their greater unit value, and so, in consequence, was turnover in this business.

The Daimler-Benz group's turnover rose by 9.8 per cent to DM16.9bn. Of this the German based companies accounted for DM14.2bn, and for the first time the whole group sold more overseas than it did at home, with overseas turnover of DM9.4bn, of which DM7.2bn was exported. While the parent company's turnover was up by 8.9 per cent, overall costs were up by 12 per cent, partly because of a 20 per cent increase

in labour cost per hour. As a result the company's operating profit in West Germany deteriorated. Dr. Zahn explained that the squeeze on profits would have been still greater had it not been for the lorry plants working at above 100 per cent capacity to meet the booming export demand.

The Middle Eastern demand for Mercedes lorries came at exactly the right moment to compensate for the fall off in domestic demand. In 1973,

Daimler-Benz's car output rose 2.5 per cent to 340,000 cars in 1974. Its car exports rose by 12.6 per cent to 172,000 units, while the whole industry's exports fell by over 20 per cent. Daimler-Benz was able to hold domestic registrations at almost the 1973 level with 170,000 cars in 1974. This sales stability, and the growth in demand abroad, was due to the introduction, at the end of 1972, of the Mercedes S-class saloons. The demand for these cars in 1973 had been so

REGISTRATIONS FOR FIRST FOUR MONTHS			
	1973	1974	1975
Cars in Germany	40,157	41,190	45,242
Cars Exported	52,844	59,525	50,561
Commercial Vehicles in Germany	27,440	18,170	16,962
Commercial Vehicles Exported	31,052	34,589	38,554
Commercial Vehicles produced abroad	12,335	12,745	15,730

Daimler-Benz sold some 20,000 lorries in the Middle East and Iran. The number rose to 30,000 in 1974 and will jump to 50,000 this year. Turnover with Iran alone in 1975 will be around DM1bn. The Sales Director explained that American competition in these markets was becoming ever stronger. He thought that Daimler-Benz's success, despite its cost disadvantage, was due to the technical appeal of Mercedes lorries, given the Mercedes service commitment, and due in part to strikes at British Leyland. He claimed that Daimler-Benz was used to working at approximately one-half of the profit margin of the American opposition.

It is part of the Daimler-Benz success formula never to get over-committed to one market. So the management was at pains last week to explain that it was already looking beyond the Middle East for future truck customers, because it regarded the boom in Middle Eastern orders as a temporary phenomenon. The Middle East and North Africa took 11 per cent of Daimler-Benz's total exports in 1973, 19 per cent in 1974, and will take even more than that share in 1975. As a result, Herr Hoppe is looking hard to the Comcon countries for lorry orders, and a 1,000-lorry deal with Bulgaria has just been concluded. The company has also sold lorries to China and expects to do much more business there.

great that despite a 35 per cent increase in production in that year a useful backlog of orders was left undilled at the beginning of the difficult year of 1974.

Dr. Zahn said that Daimler-Benz was reckoning on a steady growth of demand for West German motor cars of between 2 to 3 per cent a year into the 1980's. Asked what his plans for the U.S. market were, Dr. Zahn said that sales there would be limited to 50,000 cars, the volume that the existing Daimler-Benz organisation in the U.S. is equipped to handle. He made it clear that the DM-dollar parity was making life difficult for Daimler-Benz in the U.S., and suggested that there would soon be an upward correction in the dollar's Deutsche mark value. He described the company's experience in the U.K. last year as a "total bomb" with stock problems and an operating loss.

Daimler-Benz now has a backlog of orders for approximately one quarter of a million cars which will last it until September or October at full production. The order book for commercial vehicles is up by 15 per cent on the level at this time last year and is already sufficient to ensure full production until the end of the year. Group turnover in 1975 will be approximately DM1.9bn, and that of the home companies DM1.6bn. Investment in West Germany will be DM.780m, compared with DM.703m in 1974, and another DM.200m will be invested by overseas subsidiaries.

## Dividend fears at Solvay

By David Curry

BRUSSELS, June 9.

DESPITE "signs of recovery in some sectors" shareholders in the Belgian Solvay chemical group have been told that the 1975 dividend could be reduced. This follows a steady advance in the dividend over the past five years to B.Fr.165 a share for 1974, following a "satisfactory but very uneven" 1974 performance.

Jacques Solvay, chairman, told yesterday's shareholders meeting that sales of soda-ash, one of the group's mainstays, were down in volume but ahead in value over the early months of this year; he envisaged possible shortages, too, developing in the market for caustic soda in the short term.

M. Solvay forecast a continued recovery in sales of PVC, but polyethylene sales were reviving more slowly than had been hoped and prices were still on the downward trend.

Industrial salts and peroxide chemicals remained depressed by the general economic climate.

Speculating on the longer-term demand for Solvay products, M. Solvay noted a slowing down in the growth of demand for chlorine. Demand for soda-ash was likely to remain buoyant, even if applications for product changed. The company was being prevented from expanding significantly its inland soda-ash plants because of restrictions on the discharge of salt effluent into the Rhine, while the heavy cost of providing for discharge into the sea could be faced without State aid and higher prices.

M. Solvay picked out the expansion of the company in the plastics field as of particular importance—notably the purchase of the high-density polyethylene business of Celanese in the U.S. and the decision to build a polypropylene plant in France. He noted substantial progress in a number of research projects, including the development of a fibrous type of high-density polyethylene semi-rigid. This includes the problems of vinyl chloride toxicity in the field of PVC.

In 1974, Solvay consolidated turnover was B.Fr.78.4bn, representing a 23 per cent increase. Cash flow improved by 24 per cent to B.Fr.11.7bn, and the net consolidated profit was 17 per cent, ahead at B.Fr.3bn, after eliminating stock profit.

## Karstadt still growing after higher profits in 1974

BY GUY HAWTHORN

FRANKFURT, June 9.

KARSTADT, the leading West German store group, has reported an increase in net profits of nearly 13 per cent for 1974. Net earnings rose from 1973's DM112m to DM126.5m last year. Distributed profits, however, should remain the same as the year before with the management recommending an unchanged dividend of 20 per cent, or D.M.10.25 nominal share.

This means the group's dividend has remained unchanged for six years despite substantial fluctuations in earnings.

It was also announced that the management will ask the July 3 annual meeting to authorise an increase in capital, raising the DM300m nominal equity base to a nominal DM360m.

Beyond the bare outlines no details of this operation have as yet been released. But it is understood that it will necessitate the conversion of Preference shares with a nominal DM75m to Ordinary shares. The high and low for the Ordinary shares this year have been DM465 and DM 364 per share.

At the end of last week they were being traded at around DM445.

According to the executive Board, group turnover was up 11.8 per cent from DM9.25bn, the previous year to DM10.25bn, including value added tax. Turnover per square metre rose from DM10,500 in 1973 to DM12,300 last year, while sales space was increased by 4.4 per cent to 83,886 square metres. Turnover per square metre rose from DM8.1 to DM8.57.

Growth, however, was marred by heavy increases in consumer prices. When the effects of increased sales space are discounted, the turnover rise was almost entirely a result of rising prices rather than higher volume.

Despite this the group claims that it held its price increases to an average of 8.2 per cent against the national average for the year of 7 per cent.

The group's department store operation increased its turnover by 10.1 per cent to DM1.15bn, while the department stores in the Federal Republic and West Berlin. The

100 per cent owned subsidiary, Repa Kaufhaus, reported a sales increase of 21.5 per cent, bringing turnover to DM972m. This "extraordinary" growth, however, was the result of a transfer of seven Karstadt self-service stores to the subsidiary.

On a yearly average basis, the number of full-time employees fell by 0.3 per cent to 61,845. But personnel costs over the year rose from 1973's DM1.15bn to close on DM1.4bn.

In the first quarter of the current business year, however, turnover grew by 12.7 per cent compared with the same period of the previous year to DM1.72bn, including value added tax. The department store operation's sales reached DM1.47bn, while the Repa operation reported a DM247.6m turnover.

Sales space was up some 3 per cent to 381,400 square metres, while the total labour force shrank by 4.6 per cent on a quarterly average to 52,550. Personnel costs rose faster—by 8.2 per cent, compared with the same period of 1974 to DM226.6m.

## KLM expects "small profit"

BY MICHAEL VAN OS

AMSTERDAM, June 9.

KLM, the Dutch national airline company, revealed in its budget for the recently started financial year 1975-76 that a "small profit" was anticipated after four consecutive years of losses.

The company, whose main financial year ends on December 31, is due to publish its budget for the year 1975-76 on June 10. The loss substantially exceeding the previous year's deficit of nearly Fl.54m. In the news last week when the Government announced it intended to give the airline a major financial injection.

This would raise its stake in the Dutch airline from the present 71 per cent to 78 per cent.

In an interview in the KLM staff journal, general manager Mr. B. Van de Bovensteyn said the anticipated "small profit" in the official budget was based on a number of assumptions. These included a decline in traffic volume this year, a rising growth in capacity, a rising total load factor, higher average yields, a static wage force, a lower rise in expenditure, a lowering of the break-even load factor.

Pointing at the experience of previous years, Mr. Van de Bovensteyn said that the budget was not a document guaranteeing 100 per cent certainty. "Two per cent over or under can mean the difference between profit and loss," he warned.

The budget does not take into account the possible effects of the

small reduction in transatlantic flights following disagreements with the U.S. authorities, who have suggested that KLM was carrying more than its fair share of traffic.

The KLM staff journal also revealed some details of the budget assumptions for the current financial year. The airline's fleet will comprise the same number of aircraft as the year before, but in the course of the year, two 747 Combs will be added and two DC-8-60 aircraft withdrawn.

Capacity in ton-kilometres is 6 per cent higher than last year while capacity on the African routes is 23 per cent higher, due to the use of the DC-10 on the Amsterdam-Johannesburg run. There are no longer any restrictions on this route and this could also largely be said of the Amsterdam-Brussels run.

The budget added that traffic growth in ton-kilometres is 7 per cent. The growth of non-scheduled passenger traffic services is also estimated at 7 per cent. Freight traffic should rise by 10 per cent and charter passenger traffic is expected to decline slightly.

The average revenue per ton-kilometre of scheduled traffic is projected to rise from Fl.0.928 to Fl.1.017. The actual load factor should rise from about 65 per cent to 68.5 per cent.

Aid, designed to strengthen KLM's financial position, will consist of the State taking up Fl.200m. in new Preference

shares; half will be paid in new and the rest may be paid in as future developments require. The Dutch Transport Minister, Mr. J. W. Westendorp, also proposed to raise the airline's "guaranteed position" (current Fl.200m.), by the same amount.

## Lufthansa 1974 profit

COLOGNE, June 9.

LUFTHANSA, to-day reported increased passenger figures and higher profits for 1974, after losses in 1973 which were caused mainly by a lengthy air traffic controller strike.

A statement said that profits were DM64.5m, compared with a loss of DM46.7m in 1973.

The number of passengers in 1974 increased by 20.3 per cent to 9.6m. Comparing 1974 with 1973, the increase was 12.7 per cent.

Fuel prices rose to DM512m, or 15 per cent, of Lufthansa's total expenses. In 1973 fuel costs totalled DM205m, or 7 per cent of the total expenses.

A 1974 dividend of DM5 (nil) was proposed, compared with 1973's dividend of DM2.50 (nil) on the preference shares.

Preference shareholders will receive a further DM2.50, representing the unpaid 1973 dividend.

A.F.-D./Reuter

## Pernas moves into Malayawata

BY WONG SUI LONG

KUALA LUMPUR, June 9.

PERNAS, the Malaysian Government sponsored company charged with getting a bigger share of the country's commerce and industry, has acquired controlling interest in the country's biggest steel plant, Malayawata, after buying 7.85m shares worth 17m. Ringgits (S.M.).

The deal comes less than two weeks after Pernas acquired a controlling interest in Haw Par Brothers, and is part of a to-day confirmed they are now negotiating for a major interest in a bank with extensive interests in Malaysia.

The steel shares were acquired from five Japanese companies (4,240,000 shares), headed by Nippon Steel Corporation, the International Finance Corporation (a World Bank subsidiary) and the Philadelphia International Investment Corp.

The stake represents 30 per cent of Malayawata equity and with another 24 per cent, in Malaysian hands, the deal means that the majority interests are now under Malaysian control.

The remaining shares are held by the Japanese (25 per cent) and Singaporeans (15 per cent). The plant produces 150,000 tons of steel annually and supplies 75 per cent of the Malaysian market.

Margaret Reid in London writes: It was stated in London last night that representatives of Pernas and of Haw Par had met in Malaysia over the weekend. They discussed both the overall steel deal and which is proposed that Pernas should subscribe for a 39.7 per cent stake in Haw Par in exchange for a portfolio of securities, including more than 20 per cent of London Tin, and also the London Take-over Panel's ruling on the transaction.

The Panel laid down that Haw Par must make a bid for the remaining shares in London Tin—

in which its existing 39.7 per cent holding is to be raised by the Pernas deal to over 50 per cent—at 197 1/16p a share.

Board meeting in Singapore this week to discuss the position about the proposed deal, in relation to the line taken by the Singapore Stock Exchange and Securities Industry Council, and the decision of the London Panel.

The company said: "The business which will be carried on at these meetings will be to take steps to ensure that full information on the proposed transaction between the ordinary companies is given to shareholders as soon as possible and to progress the transaction to a satisfactory conclusion."

The Board of Haw Par wishes to reiterate that no competition exists in the transaction and will take place prior to an extraordinary general meeting of shareholders.

## Barclays to raise \$35m.

BY MICHAEL BLANDIN

Barclays Bank International, the subsidiary of Barclays Bank, is planning a \$35m. issue of seven-year capital notes in the Eurodollar market.

The issue is an important test of the market's attitude towards U.K. private sector borrowers after the referendum, and the first big corporate U.K. borrowing for over a year. It is significant also because BBI has gained a rating from Moody's Investors Services in the U.S. for the issue. Moody's has given a provisionally triple A rating, only the second time this prime grade has been accorded to a non-U.S. private sector issue.

The rating, it appears, has been given largely because of BBI's international activities. The bank admits that the Eurodollar market's reception for U.S. borrowers has been required to pay a slightly higher rate than might otherwise be needed.

The notes are expected to carry a 9 1/2 per cent coupon and

it is hoped to issue them at par. The proceeds are to be used for the general development and expansion of the bank's worldwide activities. Although the issue is taken the step of gaining a Moody's rating, there is no present intention of raising funds in the U.S. market.

The underwriting syndicate is being managed by Barclays Bank (London and International), Merrill Lynch, Pierce, Fenner and Smith Securities Underwriter Ltd. and Kleinwort Benson. Application is to be made for listing on the Stock Exchange in London, and brokers to the issue are Strauss, Turnbull.

Frankfurt, June 9.—The Swedish atomic power group Forsmarks Kraftgrupp plans to float DM100m. eight year loan coupon, Commerzbank said as issue manager.

The loan will be guaranteed by the Kingdom of Sweden—the

first time since 1967 it has guaranteed a Eurobond. Prices and confirmation of the coupon will be announced on the issue date, June 15, when the loan is due to be quoted on the Frankfurt stock exchange.

REUTERS

## Libby deal threatened

NEW YORK, June 9.

UNIVERSAL FOOD Specialists said it and Nestlé Alimentana Libby McNeill and Libby and its directors were named as defendants in a case action suit seeking to halt Universal Food's May 28 tender for all outstanding Libby McNeill and Libby common stock and five per cent debentures.

A Libby McNeill and Libby

common stock holder filed the suit which charges violations of the Securities and Exchange Act. The suit seeks damages in addition to the order halting the tender and requesting that all common share tender be returned.

Universal food said the suit "was without merit."

A Libby McNeill and Libby

REUTERS

## PLM sales lower than expected

By William Duffice

STOCKHOLM, June 9.

PLM, THE Swedish packaging company, reported a profit of Kr.13.5m. (S.M.) on sales of Kr.422m. (S.M.) for the first four months of 1975. This compares with a forecast profit of Kr.22m. and a profit of Kr.31m. for the corresponding period last year. The 50 per cent increase in turnover, reduced to 13 per cent, is due to the company's new acquisitions are omitted.

The managing director, Mr. Alf Laurin, says deliveries were lower than expected in the period but improved slightly during its last months. He considers the profit, which was cut by a Kr.4.6m. increase in interest costs, to be satisfactory.

The profit forecast for the first four months of 1974, to be good in view of the deviation from the sales forecast. PLM placed a five-year DM15m. loan on the West German capital market in April on a 9.25 per cent coupon and an issue price of 98. The company's liquid assets at the end of the four-month period were Kr.50m.

Mr. Laurin has lowered by Kr.100m. his earlier forecast of a Kr.1.7bn. turnover for 1975, which compares with sales of Kr.1.52bn. last year. Inventory gains during the year are expected significantly to exceed the Kr.6m. already registered. The new profit forecast for the year is Kr.1.1bn. including inventory gains, therefore, compares fairly with last year's Kr.1.1bn. which included Kr.21m. in inventory gains.

REUTERS

## Nationale Nederlanden confident

By Michael Van Os

AMSTERDAM, June 9.

NATIONALE NEDERLANDEN, the Dutch insurance group, has told the annual shareholders' meeting that there was no reason to assume that the year's results would be less favourable than last year. In 1974, the group's net profits had risen by Fl.18.1m. to Fl.125m.; its turnover advanced 11.7 per cent to Fl.2.98bn.

Nationale's executive Board has told the meeting that turnover had risen 30 per cent in the first quarter, compared with the same period last year. The rise is partly attributable to a recovery in the Netherlands insurance (NRI), Vols, and in the U.S. Peerless Insurance and Wisconsin National Life. Excluding these acquisitions, turnover had increased 12 per cent in the first quarter.

Nationale said that first quarter earnings, including dividend costs, had risen 25 per cent. Excluding acquisition expenses (not expenditure) had risen 13 per cent.

The company also said it was fully owned British Orion Insurance, one of the leading London-based insurers, had been acquired in February this year that it was bidding for Orion shares still held by outside shareholders—about 33 per cent of the share capital.

Another major Dutch insurer, Amfas, revealed that so far this year, premium income in the life sector was up 12 per cent. In the General sector was up 13 per cent. Investment income had risen 15 per cent. Wage costs would rise by a minimum of 13 per cent this year.

REUTERS

## ELF/SNPA think again

PARIS, June 9.

THE UNIFICATION of management structure of Ste. Nationale des Petroles d'Aquitaine and ELF-ERAP is far from being settled, according to a source close to the companies, who allow a closer relationship between the companies and it does not pre-suppose such a development.

Aquitaine president Pierre Guillaumet said in a company statement that ELF and Aquitaine worked together because their interests are linked more and more closely; it remains essential that Aquitaine should have a final and irrevocable financial advantage from the cooperation.

REUTERS

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Agent

The Chase Manhattan Bank, N.A.

May 1975

البنك من الدول



London overseas banks have been vigorously extending their traditional activities. Michael Blanden reports

# Twists on an overseas arm

THE TROUBLES of Grindlays Bank and its merchant banking subsidiary, Brands, and the recent Midland Bank purchase of the Chase Manhattan stake in Standard and Chartered, have drawn attention to an important but relatively unknown group of financial institutions. The London overseas banks are unlike any other sector of the City banking community; their main business is founded on the operation of extensive retail branch networks abroad, between them covering an area extending from Latin America through Africa to the Far East.

In recent years, however, the character of their operations has undergone important changes. These have led many of the overseas banks to seek diversification and development in new directions, particularly in adding to their traditional activities a variety of interests in U.K. operations and in gaining greater strength through associations with other banks.

The recent events illustrate some of the important trends in the development of these banks. Grindlays' need to call on its major shareholders, First National City Bank and, probably, Lloyds, for additional capital as a result of the losses in Brands also demonstrates the problems which can be met in extending into new fields of activity. The current pressures and pattern of development suggest that it may be difficult in the present banking climate for some of the overseas banks to retain their complete independence of action.

## Short supply

The traditional operations of these banks, based on their freedom to move funds around the world, have been increasingly circumscribed in recent years. Growing nationalism in the countries concerned and the achievement of independence by the old colonial territories have brought new pressures on banks operating out of London. At the same time, the gradual extension of exchange controls between members of the sterling area, culminating in June 1972 with the floating of the pound and the final end of the sterling area concept, has limited their freedom of action.

As Lord Seeborn pointed out three years ago when explaining the changes in the Barclays policy, "a high proportion of the business was in the sterling area in which funds could be moved from points of surplus liquidity to those areas where money was in short supply." The banks could regard their activities in a number of countries as a single branch network controlled from London; when the harvest was gathered in one territory, the funds which it produced could be used to finance needs elsewhere.

## Origins

The origin of these banks is firmly rooted in Britain's imperial past. They followed trade into areas of colonial domination and into other parts of the world such as the Middle East and South America where British influence was strong. At a time when London was a major source of capital for investment in the development of these countries, and when sterling was the universal medium of exchange, the banks were able to operate on an international scale. As well as financing trade and investment, they developed into providing extensive retail branch services for the countries involved.

National and Grindlays, for example, can trace its history back to 1863, with the formation of the Calcutta City Banking Corporation, later the National Bank of India which in 1866 moved its headquarters to London. Merger in 1868 with Grindlays Bank, and the acquisition in 1961 of the Lloyds Bank Eastern branches established the basis of the present group, with operations spread over East and Central Africa, the Indian sub-continent and the Far East. The group also took in the Middle East and Cyprus with the acquisition in 1969 of the Ottoman Bank's London group business.

## Merger

Standard and Chartered, the result of a 1970 merger, is active, particularly in South, Central and West Africa and being cut over the long term

to as little as 10 per cent. Trust bore witness to the sensitivity with which foreign takeovers could be treated. There has been considerable success, however, in building up wide-spread international banking networks with Barclays, for example, in California and New York and Lloyds Bank's recent major acquisition in California, as well as the extensive opening of new branches and representative offices around the world.

Greater strength and wider coverage have been sought in mergers and associations with other banks, while several of the overseas banks have acquired U.K.-based specialised operations such as Brands. One of the more interesting trends, however, is towards association with the domestic U.K. clearing banks. Barclays and Lloyds provide the outstanding examples. In one case, though Barclays DCO had been a subsidiary of the U.K. bank, it had operated more or less independently until the minority interest was bought out and the bank was integrated with the parent. In the other, the merger of Boles with Lloyds Europe gave Lloyds a majority of the combined group, later completely integrated as the bank's international arm. Midland's increased stake in Standard and Chartered gives the opportunity for their relationship to be developed further, important for Midland itself as well as for its overseas partner.

The overseas banks, therefore, have been forced to look in new directions for their further development. The general pattern was again summed up by Lord Seeborn. To overcome the immobility of sterling-based funds, he said, "we turned to the Euro-currency market." At the same time, Barclays made two other changes of policy. "One was to become still more international and to extend our operations to anywhere in the world where we could use our banking expertise profitably; and the second was to move deliberately from the system of branch operations to the formation of local companies in order to meet the natural desire of developing countries to have a financial interest in, and greater control over, their banking systems."

## Advantages

Participation in the London-based Eurodollar markets has been one of the most important areas of development for several of the overseas banks. These markets offered two important advantages. First, they gave access to the rapidly growing international wholesale banking markets—as opposed to the localised retail banking activities on which the traditional overseas banking operations were based—and to markets which in the present situation represent the only genuinely international sources of capital. Secondly, they gave the banks a source of income based in London and independent of the various territories where they operate, with the opportunity at the same time to bring to bear their own special experience in banking in countries abroad.

This development also underlines, however, one of the main problems faced by the London overseas banks: that if they are to develop as full international banking operations, able to offer their customers services around the world, they are in direct competition with the big domestic and international commercial banks of the U.S., the U.K. and Continental Europe which themselves have developed rapidly in the same direction.

The point has also been brought home in recent years that it is by no means easy to build up from scratch the banking representation in the major financial centres of the industrialised countries which is needed to provide a comprehensive international banking service. Barclays' experience in the U.S. with the rejection of its attempt to buy Long Island

to as little as 10 per cent. Trust bore witness to the sensitivity with which foreign takeovers could be treated. There has been considerable success, however, in building up wide-spread international banking networks with Barclays, for example, in California and New York and Lloyds Bank's recent major acquisition in California, as well as the extensive opening of new branches and representative offices around the world.

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This announcement appears as a matter of record only.

May 13, 1975

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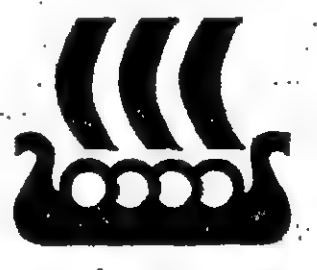
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**Shellabear Price**

Mr. P. M. C. Price in his Statement to Shareholders reports:

- Pre-tax profits for 1974 increased to £471,000 (1973-£450,000) on turnover up from £5.9 million to £7.3 million.
- Dividends increased to 2.2771p per share equivalent to 13.9% gross (1973-12.3% gross).
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	1974	1973
Turnover	7,047,155	5,349,311
Trading Profit Before Interest	678,358	538,649
Profit before Taxation	684,318	531,401
Dividend on Ordinary Shares	2.2p	2.03p
Earnings per Share	7.2p	7.1p

Steadier (U.K.) Limited has now been shown in the Consolidated Profit & Loss Account as an Associated Company and the comparative figures for 1973 have been adjusted accordingly.

For a copy of the 1974 Report & Accounts please apply to—

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**Japanese welcome for Concorde**

By Michael Donne,  
Aerospace Correspondent

A SUBSTANTIAL proportion of Japanese businessmen will prefer to fly by supersonic airliners when they come into service, according to a survey conducted in Japan on behalf of the Concorde's manufacturers. British Aircraft Corporation and Aerospatiale. The survey showed that the vast majority of first-class business travellers would use Concorde.

At current first-class fares, more than 80 per cent of first-class travellers from Tokyo and Europe would fly Concorde. 88 per cent of those flying to New York, 75 per cent to the U.S. West Coast and 94 per cent to Hong Kong.

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The results of the Japanese survey are similar to those from a survey of U.S. businessmen undertaken some time ago. They appear to show that there is a market for Concorde on the world's major air routes, and that even if fares are higher than current rates the number of passengers interested remains high.

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## WEST INDIES

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## APPOINTMENTS

## Senior posts at GKN sub-group

GKN AXLES, the recently formed GKN sub-group, has made the following appointments to the sub-group and its subsidiaries.

Mr. J. A. Leeding has become managing director of GKN Centrax Gears in succession to Mr. E. D. Tatch who remains managing director of Salisbury Transmission. Mr. A. J. Davies has been made engineering services director of Salisbury Transmission. Mr. A. C. Parsons has been appointed administrative manager of GKN AXLES.

Mr. Colin Wigan has been appointed joint managing director of Westborne Exhibitions and Building Library and Information Services. Both are companies within the Westborne Group.

Mr. John York has been appointed a director of EVERARD (CHEMICALS). Mr. York is commercial services director of the Mond Division of Imperial Chemical Industries.

Following the acquisition of MIDLAND ALUMINUM by Tube Investments, Mr. C. H. Corfield has resigned as deputy chairman and from all other appointments with the Midland Aluminium Group. Mr. Corfield will be devoting himself to his other business interests.

Mr. Hugh G. Whistlerworth, finance director of the MERSEY DOCKS & HARBOUR COMPANY, is to retire on reaching the age limit on June 17 after the annual general meeting.

Mr. J. A. Nutt, currently sales director of GRANTS OF ST. JAMES'S, has been appointed marketing director. Mr. J. J. Bennett has joined the Board as sales director.

Mr. T. W. Pustell has been appointed director of H. CLARKSON (SSR), a member of the H. Clarkson Insurance Group.

Mr. G. R. Ford has been appointed chairman of ZIMMERMAN HOBBS in place of Mr. R. F. Gillham, who has retired after over 30 years' service.

Mr. Ray Grainger has been appointed to the new position of director in charge of the operations directorate within the CHEMICAL INDUSTRIES ASSOCIATION.

Mr. Carl E. Swartz has been appointed managing director of

Miss R. Crossman, The Book Company, Mr. R. S. Harris, Reckitt and Colman Products, Mr. B. R. Young, Colnair and Mr. S. H. Bartlett, is managing director of export division. Mr. J. W. H. Bartlett remains group managing director.

Mr. R. E. Marshall has been appointed secretary of LONDON CITY AND WESTCLIFF PROPERTIES. He succeeds Mr. R. H. JAMES'S, who will be devoting his usual professional responsibilities to the group's French and German subsidiaries.

Mr. R. E. Charnock is managing director and Mr. R. Smith is managing director of the group's U.K. division. Mr. S. H. Bartlett is managing director of export division. Mr. J. W. H. Bartlett remains group managing director.

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501015

# FINANCIAL TIMES SURVEY

Tuesday June 10 1975

## REINSURANCE

Like most industries, insurance and its highly specialised sector, reinsurance have been plagued by the world-wide problems of inflation, fluctuating currencies and a sharpening of competition. Underwriting skills have assumed even greater importance.

### Focus now on sound rating

THE BASIC principle of insurance is that of spreading one's risks, so that if disaster occurs, one is not bankrupted by the event. This principle applies with as much force, if not more, to the insurers as to the individual, the company or the group.

Insurers — companies and underwriting syndicates alike — take on varying types of risks or different amounts of cover. The actual amount that they are prepared to pay out themselves on a particular risk will depend on a number of factors pertinent to the insurer, but there is a limit to the risk, known as the retention. The cover required over and above the retention the insurer will reinsure elsewhere.

Without imposing a limit on individual risk, the insurer could find himself in severe financial trouble if the catastrophe occurs and he has to pay out the claim. Security is a prime requisite of an insurer, large or small, and reinsurance is one means of providing that security.

With whom does the insurer reinsure? The practice has evolved that it is either with another insurer, who handles reinsurance as part of his overall portfolio of risks, or with a company that deals exclusively with reinsurance business. The development of reinsurance in the U.K. has been closely intertwined with that of insurance. There is not a single publicly quoted reinsurance company in the U.K. — they are all subsidiaries of insurers. Mercantile and General, for example, is part of the Prudential Assurance organisation.

Where insurers do not possess a reinsurance subsidiary, the tendency now is to departmentalise and the reinsurance business is usually operated separately from the main insurance sphere. Thus it is quite possible for part of the excess cover on an insurance risk in the portfolio of an insurer to be taken up by his reinsurance department.

How should the insurer spread his risks? The best solution is on a world-wide basis providing both a geographical and a currency spread. Although spreading the risk between other insurers operating in the same country will save that insurer from disaster in the event of a catastrophe, it will put a strain on the insurance industry of that country as a whole.

It is doubtful whether the Australian domestic insurance and reinsurance market could have withstood the financial strain imposed by the series of natural hazards experienced in that country last year. Reinsurance can spread the financial strain around the world. In this respect, reinsurance is even more internationally

orientated than the basic insurance industry.

The events of the past year have had an unsettling effect on the reinsurance industry, not only in the U.K. but world-wide. Rampant inflation and the collapse in asset values have put a strain on the insurance industry and naturally they have had a similar effect on the reinsurance industry. There has been an increasing pressure on solvency margins of reinsurers, resulting from premium income rising with inflation coupled with the fall in the value of the underlying assets, a pressure that has only been partially relieved by the market recovery this year.

### Restricting

These economic circumstances are materially restricting insurance demand. There has been massive laying up of surplus shipping, the deferment of investment programmes and cutback in stock holdings. These and similar influences will have an impact both in premium and exposure terms on the portfolios of the insurance and re-insurance industry.

The other major influence on the reinsurance industry in 1974 was the unprecedented number of large natural hazards that occurred throughout the world. Those in Australia — the Brisbane floods in March and Cyclone Tracy in December — which flattened Darwin — naturally made the headlines, but there was an exceptional number of tornadoes in the U.S. and the usual batch of hurricanes in the Caribbean.

These are some of the risks that underwriters take into account when fixing the rates



The devastation at Darwin, Australia, after the visit of Cyclone Tracy.

Nevertheless, when a much higher than average adverse experience occurs, the \$500,000, the rest having been reinsured. The events of 1974 certainly illustrated the need for reinsurance.

U.K. reinsurers have had to watch very closely their asset position. The collapse of the equity market illustrated the dangers of holding this type of asset to cover short-term risks. Yet the leading insurer for the risk — Sun Alliance and London

— with 20 per cent. of the cover, fixed interest investments meant that investment income rose appreciably from this asset source, providing a partial hedge against underwriting losses.

This position, however, cannot be regarded as satisfactory in anything but the short term. Leading spokesmen for the reinsurance industry have emphasised that future long-term growth must come from adequate underwriting profits to

provide a solid base, rather than from investment income. This means a proper rating structure charging appropriate premiums for the risk involved. The high rate of corporation tax does not help the reinsurance industry to be a world centre for reinsurance. But the present financing of future growth. The imputation system does not encourage retentions of profits. Insurers have to accept the premium for the risk at outset. If there has been an adverse currency movement by the time a claim is settled, the reinsurer has to make up the difference, a risk that was viable in foreign currency terms can become a loss maker in sterling terms.

The reinsurance company can hedge its bets by holding assets abroad, but in some risks, notably marine, the reinsurer does not know in advance in which currency the claims will be paid, ultimately it could be in more than one. The industry to thrive must have maximum freedom to move funds from one country to another.

### Rolling in

The practical implications are now emerging as the claims come rolling in and U.S. insurers and reinsurers funds are being put under strain. The U.K. expect to see a lot of U.S. business returning to London — both by direct insurance and by reinsurance. Sanlity is returning to the rate fixers in the U.S. market and the U.K. insurance industry looks forward to a period of stability in this market.

Meanwhile, the U.K. insurers are taking active steps to increase their asset base to enable them to expand their future operations. Many leading composite insurance companies have already raised fresh capital by means of rights issues to their shareholders. Part of the funds raised will almost certainly be used to expand their reinsurance operations. The Victory Insurance Company received an injection of £3.5m. to its capital base from its proprietors — Legal and

General Life Assurance Society and Cologne Re. It is likely that more fund-raising operations from insurers are in hand.

There are many reasons why London became and continues to be a world centre for reinsurance. But the present weakness of sterling does not help the reinsurance market in its world operations. Insurers have to accept the premium for the risk at outset. If there has been an adverse currency movement by the time a claim is settled, the reinsurer has to make up the difference, a risk that was viable in foreign currency terms can become a loss maker in sterling terms.

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The reinsurance industry in the U.K. has probably emerged from the past years' events in far better shape than the U.S. or Canadian markets. But it still has to learn to operate in a world of rampant inflation and unstable currencies. The recovery in the financial market has eased the asset position, but the fall in interest rates since the beginning of the year could lead to a lower increase in investment income compared with the rise in premium income. This means that the companies must get their underwriting rates correct. The industry must concentrate on insurance rather than investment; indeed many have never departed from that principle.

Eric Short

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## REINSURANCE II

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Take advantage of our specialist inter-  
national service. You'll find we have the flexi-  
bility you need, backed by the right  
experience. You will find our research and

SINCE AT LEAST 50 per cent. of its total premium income comes from reinsurance, the Lloyd's market plays an important part in international reinsurance arrangements. It is one of the largest non-life reinsurance markets in the world.

While most classes of reinsurance are written at Lloyd's as a generalisation it is probably true to say that underwriters at Lloyd's write more reinsurance where they determine the premium rate than in the case with many companies. In other words not so much business is written on original terms or, where this is written, the original rate may very well have been determined by the reinsuring underwriters at Lloyd's.

Naturally, the Lloyd's market plays its part in providing reinsurance capacity for other insurers. In common with certain large British insurance companies, outward reinsurance placed by Lloyd's underwriters are probably quite small in relation to premium income, compared with many insurance companies throughout the world.

Many insurance companies throughout the world accept reinsurance business on original terms, since this is virtually the only way in which they can achieve a wide spread of risk. Underwriters at Lloyd's, however, can be more selective in deciding on the reinsurance cover which they will provide. Almost certainly, Lloyd's underwriters have a wider spread of direct business than most other insurers, which means that they need not necessarily accept re-

insurance solely to achieve a spread of risk. Where an interest in particular risks can be achieved only through reinsurance, it is quite likely that the original insurers will be influenced to some extent by the views of reinsuring underwriters at Lloyd's.

Although underwriters at Lloyd's do not arrange as much outward reinsurance as many other insurers, there may be occasions when they think that the rate of premium being charged for a risk which they have renewed may bring little or no profitability. In these circumstances, it may be prudent to remain on the risk, but to reinsure all or part of it elsewhere. This, of course, is entirely a matter of individual judgment.

### Pioneered

Within reinsurance, Lloyd's is well known as a "catastrophe" market. Underwriters have pioneered many forms of protection for other insurers throughout the world, so as to shield the latter from really serious catastrophes. In the non-marine market, for instance, Lloyd's underwriters pioneered the excess of loss approach as an alternative to the normal pro-rata treaty.

With this form of reinsurance, the original insurers are obtaining important protection, while underwriters at Lloyd's can charge the premium which they consider the risk they are running is worth, quite irrespective of the original rate of premium charged by the original insurer. In this way, underwriters can use their own judgment in determining rating levels, rather than (as is so often the case in reinsurance) being almost

entirely in the hands of the original insurer.

Underwriters at Lloyd's also write a significant amount of reinsurance of risks where, for one reason or another, they cannot write the insurance on a direct basis. A typical example is some very large prestige risk in an overseas country. In these circumstances, it is understandable that the risk should be written in the first place by the domestic insurers of that country. They, however, may very well be unfamiliar with the nature of the risk in question, and will look to the London market for guidance.

As a result, effectively, the terms and conditions for the direct insurance may be determined by underwriters at Lloyd's and with British insurance companies. The risk is then written on these terms and conditions by the domestic insurers who, in turn, reinsure a substantial part of the risk in the London market, retaining only a small part of the risk. While this situation occurs on a fairly substantial scale, quite naturally reinsuring underwriters in the London market do not talk very much about such risks, not wishing in any way to embarrass the direct insurers from whom they receive the business.

In other cases, it may be a requirement that the direct business must be written in the country in which it originates. Where, however, a risk in such a country is of a novel type, or there is only comparatively little experience of such a risk, here again, the flexibility and ingenuity of the London market may very well come to the rescue. In the form of substantial reinsurance protection, on terms determined by the

London market:

Speaking recently in Tokyo, Mr. Paul Dixey, former chairman of Lloyd's, pointed out that there are other places which have insurance companies with premium incomes which rival or exceed that of London insurers: "... yet no other country has so great an influence on insurance policy or practice." Mr. Dixey stressed the value of Lloyd's and the British companies which make up the London market when he said that what has been important in the development of London is not the size of the lines which the individual can write but the variety of opinion and the willingness to experiment.

### Willingness

It is that willingness to provide insurance cover for virtually unknown risks which is just one of the reasons why so much reinsurance comes to Lloyd's—on the terms which individual underwriters in the market consider to be equitable—although, of course, in the event, their judgment may be shown to be wrong.

With such a wide spread of risk, a problem which faces Lloyd's underwriters, and other large-scale reinsurers, is the accumulation of risk which can occur. Under many treaty arrangements, underwriters may have very little knowledge of the individual risks which they are accepting. As a result, it is quite possible to have lines on the same risk as reinsurances of a significant number of the direct writers. This situation has to be watched very carefully, and often underwriters have to arrange reinsurances of different types for themselves.

For some really large risks all insurers subscribe on a "net" basis, retaining all they accept and undertaking not to place any reinsurance.

Another difficulty in recent years, particularly noticeable on the marine side, has been the fact that by providing reinsurance facilities, underwriters have fuelled the overseas competition with which they have had to contend as direct writers. Leaving aside the complexities in some cases underwriters at Lloyd's have provided reinsurance protection for overseas insurers which has enabled the latter to accept business at lower premiums than Lloyd's underwriters would have required. Then, under the terms of the reinsurance contract, the bulk of the risk can be reinsured in the London market, with the overseas insurance company retaining over-riding commission.

Underwriters have been tightening up on the reinsur-

ance protection which they provide where it could be used against them. It looks as though this action is having the desired result and, as a result of this and other factors, some of the more competitive insurers in recent years are cutting back quite severely.

That is just one area where underwriters' reinsurance business is helped by their wider spread portfolio of direct business. With the same individual writing both direct and reinsurance business, he can have a much better "feel" of the reinsurance which he is offering. In this way, often potentially loss-making reinsurance risks can be avoided, and there are a host of other "fringe benefits" which spring from the direct side of the business. Thus even underwriters whose main involvement is in reinsurance are anxious to maintain winning a reasonable volume of direct insurance.

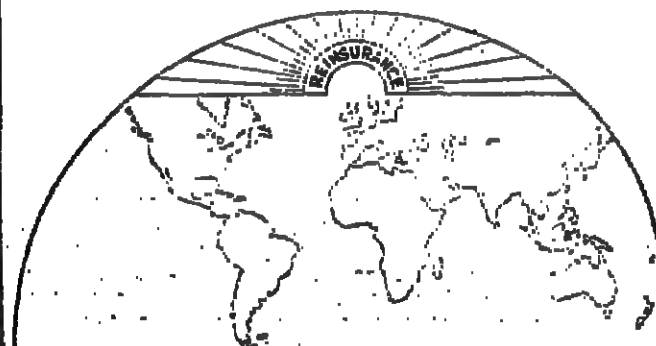
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## London the hub

AS IS THE CASE for the general insurance market, London is without doubt the hub of the international reinsurance industry. British insurers have traditionally enjoyed easy access to the major world reinsurance markets. However, the quality of the London reinsurance market and its almost unrivalled status could well be tested in the short term. The industry has just experienced one of the worst years on record, while inflation and weak sterling rates are fast eroding profitability. Furthermore, competition is growing from the Third World and advanced industrialised countries.

Reinsurance is a fairly recent market in relation to direct insurance with little emphasis being placed on the sector before about the early 20s. The growing demands of world trade patterns and the development of local insurance markets both fuelled the early growth in the reinsurance market.

The growth of overseas markets was mainly brought about by a series of protective legislations in various countries. U.K. insurers therefore had to

start up locally based companies to carry out the business that was normally underwritten in London. This growth of localised business led to the need for more reinsurance but the companies still looked first to London for a market.

One of the more recent factors behind the growth of the London reinsurance market has been the insurance brokers. After the war the brokers put more emphasis on the sector by forming special department and subsidiaries to cater for this type of business. The brokers travel the world channelling back business to the London market. They are, however, often criticised for the large commission rates earned on these transactions but little seems to be done to reduce them, so that in itself tends to endorse the importance of the brokers to the reinsurance market.

London could attract this international business because it had the commercial organisations with the necessary expertise to take on these risks. These organisations had long been established in London during the course of the city's development as an international insurance centre.

Since it has been an established market, London had sufficient capacity to absorb the risks to be reinsured and could provide the cover and underwriting for these risks.

The complete range of insurance companies that were on offer in London must also have been a factor. Apart from Lloyd's, where reinsurance now accounts for more than half the premiums income in the market, there are the vast amount of companies and of course the brokers. Most of these companies were already international traders with substantial world wide organisations.

Indeed London continues to attract such internationally based companies. Over the past three or four years numerous new underwriting concerns have been formed. These have not only come from the U.K. but the Continent and the U.S.

This development is obviously an encouraging sign for the London market since it is essential that it maintains its well diversified but well balanced range of underwriting views. Much of the attraction of London as a world reinsurance centre has stemmed from the fact that it is not only a base for multi-national companies but that it can cater for all those that seek reinsurance cover.

### Logical

Since a large slice of the reinsurance business comes from local markets it is essential that there are adequate facilities for dealing in currencies; since London has long been known as an established financial centre it was a logical progression. In the past the strength of sterling as an international currency has more than covered this need. But the events of the past couple of years has given cause for concern. Sterling has been devalued against virtually all other currencies and this in turn must affect profitability of the reinsurance companies. Most premiums are converted to ster-

ling and if this is weak any subsequent overseas claims are therefore exaggerated.

It is difficult to determine just what effects a weak sterling has had on business in the London reinsurance market but certainly the industry is becoming more competitive. Those countries which promoted the development of local insurance are now expanding towards setting up reinsurance companies. These are operating on a world wide basis. What is more, insurance brokers are being pressured into placing business in these new markets but the more attractive London commission rates will still prove a strong lure.

It is as well that the decision of the British public to stay in the EEC will give the U.K. insurance market, including reinsurance, the opportunity for expansion. However, there are one or two legal hurdles for the reinsurance sector to overcome but by and large the U.K. market is optimistic.

### Catastrophe

This growing competition comes at a time when the reinsurance industry has just experienced one of its worst years on record. First there was Hurricane Wanda which started the floods in Queensland Australia. This was followed by another catastrophe in Australia, namely the Darwin devastation left by the Cyclone Tracy. Estimates put the insured risk here at about \$A350m. to \$A300m. On top of this there were the wind storms in the U.S. but this mainly hit Lloyd's rather than the company market.

Couple that with the sterling movements and the effects of inflation; delays in settling claims during a period of high inflation throws forward projections out of the window, even though the companies try to write in some loading. Combating inflation has resulted in higher premiums and this has brought some companies close to their minimum solvency levels. Small wonder that some smaller reinsurance companies have called it a day.

It is imperative for the economy of the country that the U.K. reinsurance sector, and indeed the insurance industry in general, maintain its present position as a world-wide leader. Given the rather depressing trend in the U.K. balance of payments invisible earnings have taken on a far more important role. Of these invisible earnings some one-third is provided by the insurance sector.

Certainly the U.K. reinsurance market has much in its favour to overcome these current difficulties. It has a wealth of experience and expertise, accumulated over a number of years, which is widely spread among numerous multi-national companies. Furthermore, its competitive edge must be enhanced by the presence of Lloyd's and the links with the brokers. But the threat of these outside factors such as competition and inflation, aggravated by sterling's weakness, must not be taken too lightly.

David Wright

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## REINSURANCE III

## Currency risks threat

THE REINSURANCE industry is at present beset by two major problems—inflation and currency fluctuations. The industry has been plagued by the problems associated with currency movements for as long as it can remember but in recent years its difficulties have acquired new dimensions. At the same time world inflation rates (especially in this country) have reached such an alarming level that some reinsurers are seriously thinking of cutting back their services.

## Changing

Mr. C. J. Baker, chairman of the Victory Insurance, summed up the market situation in his recent annual statement to shareholders. He wrote: "As the events of 1974 have so clearly shown, the world-wide insurance industry is by no means exempt from these inflation and currency problems. Insurers therefore have a vital part to play in finding solutions to them. It is not so much that the problems are new as that their scale is rapidly changing. Indeed the rate of change has become so fast that if it were to continue it could jeopardise the future of some classes of

reinsurance as we know them to-day."

Mr. Baker's chief concern is with inflation, but linked to this problem is the total instability of many currencies. In recent years there has been a tendency for major trading areas around the world to move away from a fixed-parity system and allow currencies to float freely. Against this background the continued weakness of sterling has been a further aggravation.

The major point at issue for the reinsurer is that unless his liabilities in a particular currency are matched by assets in the same currency, a change in the rate of exchange with the currency in which the reinsurer is resident will tend to leave the reinsurer with a profit or a loss. And given the poor performance of sterling in recent years the general trend is for a reinsurance loss.

To a certain extent the reinsurer is prepared to accept this risk particularly since London is a centre for international insurance. But Mr. Baker lays heavy emphasis upon the fact that the reinsurer should not be compelled to do so. "Exchange control regulations in the U.K. make it difficult for British reinsurers to cover their overseas liabilities with assets in the relevant currencies. In view of the

vital contribution made by the insurance industry to the country's overseas earnings it is time that reinsurers were given the necessary freedom to do this." However, the problems that the reinsurance industry has year do not emerge for many faced over inflation are even years. more complex. Its impact on the industry is manifold. It increases administration costs, not only in terms of work-force salaries. And, more dam-

Incidence of first notification of claims		
Year	Claims notified	Claims settled
1	23	2
2	30	19
3	13	16
4	8	14
5	6	12
6	20	46

aging, it can in many cases lead to increased claims.

For the liability business of the reinsurer the length of time between the occurrence of the claim and the date of its settlement is such that the effect of inflation can be out of all proportion to anything that could wages and salaries increase and reasonably have been taken into the rate at which third party account when the risk was

underwritten. For reinsurers of excess of loss liability business premiums are received early and claims are paid late, so that the full extent of the liabilities for any underwriting year do not emerge for many years.

The accompanying table shows clearly the extent of the problem. The number of claims notified in the first year of underwriting amounts to just over a fifth of the total, while six years later there are still claims amounting to a fifth of the total. The incidence of settlements is even more steeply loaded against the reinsurer. Some 46 per cent of claims are not settled until six years after the business was taken on. The statistics are contained in a booklet prepared by the Mercantile and General Reinsurance Company, and are the result of a recent investigation by the group into the delay and notification of claims.

Mercantile and General make the point that the factors behind inflation are complex, and for the reinsurer worth dissecting. It is not easy to determine the exact effect of inflation. Some authorities point to a natural link between the rate at which inflation can be out of all proportion to anything that could wages and salaries increase and reasonably have been taken into the rate at which third party account when the risk was

At the same time there is a school of thought that believes there is a superimposed inflation, implying that the size of claims is increasing at a rate faster than wages or prices. With the index for wage rates now up close to the 30 per cent mark, this is a somewhat terrifying thought for the reinsurer.

Obviously there are many factors involved in this problem. Advances in medical science, for example, have prolonged the life of many accident victims while leaving them permanently disabled for work and dependent for the rest of their lives. Almost invariably claims for personal injuries of severity are more expensive than in the event of a fatality; and the differences are even greater in cases where people have no dependents. At the same time changes in the law (both legislative and judicial) can almost overnight substantially increase claim experience for the reinsurance industry.

## Index clauses

In order to counter inflation, the industry has been making more extensive use of index or stability clauses. Index clauses attempt to share the unpredictable effects of inflation more fairly between the reinsurer and the ceding company. They started to come into use towards the end of the sixties and by 1970 were in general use though there have invariably been pockets of resistance. In Canada and Australia (two very traditional markets) the inflation problem was initially tackled by a sliding scale of premium rates and certain classes of business have been slow to change to index clauses.

Index clauses have been in operation for sometime on the Continent but they are no real solution to the problem of inflation; they can do no more than mitigate some of the effects on the reinsurer. Victory Insurance believes that greater co-operation between the insurance and reinsurance industries is needed in the compilation and interpretation of statistics for different non-life risks: while Mercantile and General asserts that inflation is demanding more than ever, a sound rating policy.

Jeffrey Brown

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## Sharp end

The brokers are really at the sharp end of the business and a greater professional standard is required from a reinsurance broker than an ordinary broker, for the majority of large increasing volume of business essentially because he is dealing only with professionals. He earns more than his colleagues on the ordinary broker's side and travels a lot more in the interest of getting business into the London market. He is more likely to speak a foreign language than a typical broker and the bigger brokers Reinsurance Offices Association have overseas offices, dealing with a united voice on matters of mutual concern. It includes several specialist firms of brokers who do nothing else but reinsurance.

The underlying principle of reinsurance is the spreading of risk between companies and the network of connections which establishes the need for the reinsurance intermediary. Whereas on the life reinsurance side the tradition is to deal with the world's biggest reinsurance market, direct on the non-life side there is not just a question of several reinsurers walking boots and go further the world. The reinsurance is the traditional one of placing brokers emphasises that it is a business to get the maximum return for the two-way traffic, with the result cover for the minimum cost that reinsurance is responsible commensurate with safety. For

example, reinsurance brokers play a large role in the developing countries where the local insurance companies (perhaps nationalised) are unable to bear the total risks themselves and need professional help to reinsure on an international basis.

Reinsurance brokers also assist materially in claims settlements—the classic example here being the Darwin cyclone disaster, a high proportion of which was reinsured in the London market. Most of the reinsurance brokers involved sent people out to Australia to assist in setting up a fund for distribution. It is a secondary factor but can be useful where collection is involved.

One gets varying views from different brokers, of course. Sedgwick Forbes, for example, said that its traditional reinsurance business was mainly U.K.-orientated and territorial importance was an individual matter. They wished to expand in Europe as their next major step and it was anticipated that it was really the smaller brokers who had to put on their aid into the developing territories. The point about the developing areas of the world is that the business takes longer

to become profitable because of the greater technical service which the reinsurance broker has to provide to companies of less sophistication.

SF also brought up the point that there are a number of areas where the reinsurance intermediary is virtually indispensable. Where "reciprocal exchange" is concerned, for example, a Latin American company which wished to offer its reinsurance treaty for exchange throughout the world (with the hope of getting good business back) would probably come to London to establish the link. To do it any way other than through a clearing house arrangement would be very expensive and time-consuming. The same applies to large "excess of loss" contracts which have to be marketed widely. Perhaps the proof of indispensability is that most of the big U.K. companies use reinsurance brokers on this class of business.

## Volume

One point about the whole field, however, is that it is a major growth area, with world-wide inflation fuelling the volume of risks which need to be reinsured. The growth is mainly in what is called "non-proportional" business where the reinsurer steps for business over a certain amount. Proportional business is where the reinsurer will reinsure a certain percentage of the whole account.

Administratively the non-proportional business is much easier to organise. Much of the insurance intermediary's function is concerned with oiling the wheels rather than adding complications which is why an overseas broker may have the facility to provide "instant reinsurance cover" on known classes of risk—rather like getting a temporary cover note on a motor car.

The reinsurance broker has also been responsible for a number of innovations in the insurance field, although these tend to be rather complicated for the layman. But one such is the "aggregate liability extension" which is basically taking various types of reinsurance, putting them together and settling on an aggregate basis.

The basic function of the broker, however, is not to advise the company on how much reinsurance it ought to take but to give specialised information on where to place the reinsurance and what they ought to expect to pay. Naturally commission rates are lower in reinsurance than in the ordinary broking field since the volume is much greater and the expenses for the broker are lower eventually.

In fact there is more than an element of mystery about reinsurance simply because it is conducted at the highest levels in companies and this mystery also tends to surround the reinsurance brokers. At least this is what the reinsurance brokers reckon that their ordinary counterparts think about them. It is also difficult to get any overall figures on the volume of business done—the RBA does not produce any at the moment and has no immediate intention of doing so.

Christopher Hill

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## REINSURANCE IV

# Backing for life business

THERE MUST be very few people who have never heard of life insurance even if they do not deem it necessary for themselves. But I would venture that very few readers outside of the industry have ever heard of life reinsurance underwriting, even though a small slice of those reading may be covered by reinsurers. How many readers believe that life insurance is unobtainable because of some medical condition? Yet a reinsurer might be able to arrange cover.

So who are these mysterious faces in the shadow of the insurance representative on the door-step? There are, in fact, several reinsurance life companies within the U.K., the principal ones of which are Mercantile and General (a subsidiary of the Prudential), Victory Insurance (a subsidiary of Legal and General), Swiss Reinsurance, and British and European Insurance. However, the reason for the general low profile image regarding the public is because they never deal direct with the public, but their service is solely orientated towards the life companies.

The original contract has been in force for 15 years and you have built up a considerable reserve, say £10,000, so that XYZ's liability is limited to the balance of £5,000 plus the new sum of £40,000. Assuming that there is no reason why XYZ should enter into a new contract with you on medical grounds, XYZ would take up the new contract bringing its total liability to £45,000, but as the retention limit is £30,000 some £15,000 would have to be laid off with a reinsurer. But of course as far as you are concerned XYZ is the one providing you with £55,000 of cover.

The second reason why business would be placed with an underwriting reinsurer is because the proposer is "below standard" as a risk in some way, and this is normally on medical grounds. Of course an individual might be a bad risk on occupational grounds, but most life offices have terms of reference for all occupations, although new jobs, such as men on the outsize might cause an office to turn to a reinsurer for guidance.

### Laid off

Their operations are similar to that of any other underwriter in that they assume part, or the whole of the risk, which has been "laid off" by the insurer. The risk may be of proportions that the reinsurer will happily undertake on his own, that is, it falls within his "limit of retention." Or, if the sums concerned are considerable, he will place the business around the market, mainly with other life offices, but sometimes with other reinsurers as well.

In a nutshell there are two reasons why business comes to the underwriter in the first place. First, the insurer will seek reinsurance if the sheer size of the sum to be insured is beyond the insurance company's limit of retention (which can be defined as the maximum liability an office will entertain in the event of the death of an individual having regard to certain conditions such as the age of the insured, the type of policy and any existing policies).

For example let us assume you have an existing endowment policy with XYZ company for £15,000 taken out, say, 15 years ago, and you want to take out a further policy for £40,000. Suppose the limit of retention for your age group for this particular office was £30,000. XYZ company would

not just add the two sums together (£15,000 and £40,000) because XYZ's liability on the older insurance is reduced.

The original contract has been in force for 15 years and you have built up a considerable reserve, say £10,000, so that XYZ's liability is limited to the balance of £5,000 plus the new sum of £40,000. Assuming that there is no reason why XYZ should enter into a new contract with you on medical grounds, XYZ would take up the new contract bringing its total liability to £45,000, but as the retention limit is £30,000 some £15,000 would have to be laid off with a reinsurer. But of course as far as you are concerned XYZ is the one providing you with £55,000 of cover.

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The reinsurer is normally internationally orientated, and so he gets a much broader experience on which to base his decisions. Also, virtually every case he looks at is a problem case of one sort or another so he becomes much better conditioned to taking on the unusual, unlike many of his contemporaries in life offices, dealing in a local market with 80 per cent. of the proposals fairly straightforward.

All this often amounts to the reinsurers spurring the life offices to new levels of acceptability of risk, although this in no way is intended as a slight on the underwriting techniques of the ordinary offices who of course also have their own experts. However, it must point to something when one sees that at least one reinsurer runs training schemes attended by underwriters from life offices.

There are two ways in which business is placed with a reinsurer. Firstly on a "facultative" basis or secondly by the "treaty" method. To come back to our earlier example the XYZ insurance company had to lay off £15,000 and if it did this by the "facultative" method the reinsurer would have the option of accepting or declining.

The facultative method is one

of long-standing where the excess is "hawked" around the market, but has the disadvantage that it is time-consuming in that all the relevant documents such as medical reports have to be presented to each individual office, and the principal office cannot issue an acceptance until all the offices concerned have consented. Furthermore, at the end of the day the principal office may have found itself unable to lay off as much as it had originally intended to.

The treaty method has gained prominence over the former method. This is where an agreement is signed by a life office with one or more reinsurers to automatically lay off and accept in turn amounts up to pre-arranged limits. So in our example the reinsurer would automatically be committed to accepting the £15,000 excess of XYZ's limit of retention.

However, if the amounts involved exceeded the agreed levels the business would have to be conducted on a facultative basis.

### Medical

As I indicated earlier the reinsurer becomes involved when the size of the liability is too large, or because the proposer is sub-standard in say a medical way. Reinsurers have made sweeping in-roads into average individuals. For example, diabetics were generally considered uninsurable before the war and Mercantile and General were perhaps the pioneers of insurance for diabetics with its "Diabetic Pool" in 1949. This was followed up by a "Blood Pressure Pool" in 1953 and a "Coronary Pool" in 1957. Now of course it is possible

to get life cover no matter what medical conditions and history, assuming of course the proposer has more than a chance of living to the end of the term of the contract. With full medical reports, including X-rays and electrocardiograms, and family medical history, reinsurers can quote terms for most proposers, even cases of cancer where successful operations have only been carried out a couple of years previous.

On top of medical condition where the sums concerned are sizeable, U.K. reinsurers are following the trend of the U.S. and looking at the proposer's financial status. This is particularly important where the proposer is a member of a partnership or perhaps a "key man" firm.

Not only can the financial status of a man affect his health, but it can in extreme cases lead to an untimely death by suicide.

Such financial investigations are

all above board and with the proposer's consent. For example, statements might be required from the firm's accountants and auditors and bankers. Such are the broad aspects that the underwriter must consider. To sum up, life reinsurance underwriters are taking on what the ordinary life offices are unwilling to insure. Of course the individual pays for the extra element of risk in the form of higher premiums, but this should not deter as in most cases the premiums are not excessive to the cover and conditions. The reinsurer has to have his commitments balanced to what is in effect underwriting over fixed term policies the mortality rate. As one underwriter put it, "just because the proposer is a bad risk he is not going to automatically die within the period of the term of insurance."

Terry Garrett

# The developing world

THE ROLE of the reinsurance industry has been changing in the past few years as more and more countries build up their own insurance industries, but there is still a considerable need for the expertise and experience of reinsurance brokers.

For even though many countries now have their own insurance and reinsurance companies there are still a large number whose economies are not broad enough to support reinsurance companies able to meet in full the large "catastrophe" claims that may arise. Thus reinsurance brokers in London and elsewhere still have a major role to play as "reinsurers of reinsurance," particularly where large claims—for instance, a jumbo jet disaster or a hurricane—are concerned.

In essence the job of a reinsurer broker is to find a reinsurer willing to shoulder risks which the original insurer, for one reason or another, does not wish to run himself. In the case of Mauritius, for instance, where every few years storms do considerable damage to the crops on which the economy largely depends, local insurance interests need to reinsure outside if they are to be sure of meeting claims in full.

### Example

Larger countries also need the security that comes from reinsurance, particularly if they are to meet sudden large claims that they can themselves only pay in part because of the size of the local industry. Nigeria is a good example of such a country where there has been rapid development of the local insurance business in conjunction with a rapidly expanding economy.

Nigeria has over 100 insurance companies, with a national insurance company as well as smaller State companies and it has also formed a national reinsurance corporation which will act as the channel through which all Nigerian reinsurance business will be directed. In this way the State retains as much as possible of the income from insurance and reinsurance.

The Nigerian approach to the issue is fairly typical of the way the problem has been dealt with in many developing countries. India, for instance, has a State reinsurance corporation and so does Brazil and all reinsurance goes through them, but they in turn reinsure a proportion of their liability on the world market, very often through London.

So, as more and more "lower level" reinsurance is done by Jordanians particularly skilled local insurance industries, the larger business is still being reinsured in the world where market and it is here that reinsurers feel they have speedily developed.

much to offer—as intermediaries finding underwriters and companies prepared to take on the risks in the right way and at the right price. "No one is in a better position than a broker to calculate what form reinsurance ought to take, how it should be financed and how it should be packaged," said one senior broker.

Lloyd's underwriters have pioneered various types of "catastrophe" insurance, but they also have an extensive knowledge built up over many years of business in widely differing parts of the world and an extensive network of contacts. They have increasingly been sharing this experience with local companies in the developing world whose staff have in many cases come on courses to London or have been attached to London broking firms for periods of time.

A report tabled by the UN Conference on Trade and Development highlighted some of the key problems facing the reinsurance industry in developing countries. It put particular emphasis on the need for security, continuity and cost and in all three areas reinsurance brokers feel they have a good deal to offer.

The one part of the developing world which needs to be looked at particularly closely at the moment of course is the Middle East, where the current rash of industrial, commercial and housing projects has led to a surge in demand for all types of insurance and reinsurance.

Here, as elsewhere, there is great emphasis on the need for a strong local insurance industry. A number of States are making it almost impossible for foreign companies to have anything more than a minority interest in new ventures. Kuwait and Abu Dhabi, to take only two examples, have formed their own reinsurance companies and the recent Arab Insurance Conference at Tunis endorsed the setting up of a regional Arab Reinsurance Company.

There is a substantial need as accounts for reinsurance from outside the area and this must be so for the foreseeable future. With this in mind, brokers have wasted no time in offering their services to clients in the Middle East. "The only person you can be sure of meeting in the Gulf now is another insurance broker," one said ruefully.

There is already a good deal of local expertise in the insurance industry in the Middle East, with Egyptians, Iraqis and Jordanians particularly skilled in the business. A number of larger business is still being reinsured in the world where market and it is here that reinsurers feel they have speedily developed.

Apart from competition from other brokers, reinsurance brokers also have to co-exist with the major reinsurance companies in Europe and elsewhere. These companies are able to offer to underwrite reinsurance on the spot and also can afford to offer the services of advisers and experts as part of the package, but the brokers believe they cannot always be as flexible as they are.

### Reciprocity

Reinsurance brokers are also able to offer insurance companies in the developing world the promise of reciprocity or "inward business." Setting up an insurance company in a developing country is a business expensive enough to make it usually impossible to try to obtain business from outside. Reinsurance brokers say they should be able to bring overseas business into a developing market and to bring greater "balance" to a new company by putting its accounts on a wider and more international base. Increasingly brokers are taking insurance business "back the other way" and thus answering the criticism that it too often of any British businessmen.

In the past few years, the

complications of dealing in different currencies have increased as fixed exchange rates are given way to floating ones and devaluation has altered relationships between currencies. The past year this has been compounded by inflation, which has made it more important than ever to get actuarial calculations correct. Here again the experience of insurance and reinsurance brokers is of great benefit to nascent insurance industries in the developing world.

Happily, although the proportion of local insurance business in most developing nations which is reinsured by brokers has been declining, the value of London reinsurance business has been growing as the world-wide demand for insurance of all types has increased. The falling off of "lower level" business has left Lloyd's brokers dealing with the larger types of claims, a business which they know well and at which they believe they have no equal in the rest of the world. Certainly with many brokers spending as much as half the year travelling the world in search of new business there can be fairly claim to be among the most internationally minded of any British businessmen.

David Bell

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# WALL STREET + OVERSEAS MARKETS

## Further losses in reduced trading

BY OUR WALL STREET CORRESPONDENT

FURTHER SMALL losses were recorded in reduced trading on Wall Street today, when analysts said there was a feeling the Stock Market has run too far ahead of the economic recovery.

At 1 p.m. the Dow Jones Industrial Average was off another 1.50 to 337.54, after dipping 3.59 to 339.05, while the NYSE All Common Index dipped a further 20 cents to 448.99. Trading volume topped 2.23m, shares to 11.55m, compared with 1.7m last Friday.

Analysts said a growing sentiment that the U.S. recovery from recession will be slower than predicted is depressing several

Closing prices and market reports were not available for this edition.

issues, particularly "growth" stocks, but indications that long-term interest rates may be declining is aiding others, particularly utilities.

Several major banks cutting their prime rates to 7 per cent from 7 1/2 per cent was another positive influence, they said.

First National City Bank's prime rate to 6 1/2 per cent last Friday, a move no other major bank has yet followed.

General Dynamics jumped \$3 to \$331 after a delayed opening. The aerospace firm was awarded a \$300-million contract for its F-16 fighter plane from four NATO Member Nations.

United Technologies rose \$2 1/2 to \$56 1/2 after a delayed opening. The unit will supply engines for the F-16.

Menasco Manufacturing, a producer of aircraft landing gear, gained \$1 1/2 to \$11 1/2, while Zale Corp., a maker of aircraft engine parts, moved up \$1 1/2 to \$11 1/2.

Actively-traded G. D. Searle lost \$1 1/2 to \$18 1/2, the company said two of its hypertension drugs are safe.

LTV dipped \$1 1/2 to \$13 1/2 on its expectations of "substantially" lower second quarter earnings. Finco advanced \$2 1/2 to \$36 1/2, said subsidiary was awarded \$4,000,000 contract by the Arabian American Oil Co.

American Stock Exchange stocks were mixed in light trading. The Market Value Index slipped 0.01 to 80.60 although advances led declines by 235 to 210. Trading volume declined 400,000 shares to 1.53m, compared with 1 p.m. last Friday.

Called Aircraft Products, a producer of aircraft engine parts, rose \$1 1/2 to \$10 1/2.

Canada lower

Canadian Stock Markets were generally lower in light trading yesterday morning.

The Industrial Share Index shed 0.39 to 106.82. Base Metals 0.17 to 78.45. Western Oil 0.30 to 150.44. Bank 0.16 to 200.13 and Papers 0.01 to 108.24. But Golds

### OTHER MARKETS

PARIS—Generally lower in quiet trading, reflecting the raising of the day's Money Market rate by 1 per cent to 7 1/2 per cent, as well as the sluggish performance of the New York and London Stock Exchanges.

Banks, Mechanicals, Stores, Electricals, Metals and Oils were all off to some degree. But Holdings, Foods, Buildings and Rubbers were narrowly mixed while Chemicals gained a little.

London Stock Exchange

moved up 3.85 to 407.59 and the Liff put on 0.27 to 131.62.

In the Foreign sector, American shares were narrowly mixed. Dutch shares also irregular. Germans mostly off, as did Belgians. International shares were mixed, as were Gold Mines.

Coppers dipped.

BRUSSELS—Generally higher. Steels, Electricals, Metals and Chemicals were all up, while Holdings were little changed and Oils were down.

Halsout Sambre gained Frs.30 to 2,400 in Steels and Hoboken rose Frs.50 to 4,350 in Metals.

Tessenderlo put on Frs.25 in Chemicals. Oils were mainly down but Petrofina were up Frs.10 to 5,350.

Zairean, Dutch and French

shares advanced in International. But South African and American shares were down. Unilever gained Frs. 35 to 1,490, and Peugeot Frs.100 to 2,370.

AMSTERDAM—Mixed trend. Akzo shed Frs.0.20 and Royal Dutch fell Frs.0.50, but Unilever rose Frs.0.30.

Banks declined, but Insurances mostly gained although Amey dropped Frs.1.30.

Bonds gained an average Frs. 0.10 to Frs.0.30. A bond issue of Frs.100m, due 2000, with an 8 per cent coupon of Bank voor Nederlandische Gemeenten was announced—the price will be published shortly.

GERMANY—Shares fell back on position squaring in dull trading. Leading Stores were main-

tained, however, but Banks and Engineering all gave up early going to close steady or lower.

In leading Commercial Banks, Dresdner eased to 227.10 and Deutsche Bank lost Dm.2 to 236.30, but Commerzbank gained Dm.0.30 to 190.50.

In lower Electricals, AEG dropped Dm.1.50 to 79.10 and Siemens Dm.2.50 to 236.30. Chemicals were mixed to higher. Bayer declined Dm.0.50 to 121, and Hoechst rose Dm.0.30 to 131 and Basf Dm.0.50 to 142.

In Motors, Daimler tipped Dm. 2.50 to 294, despite stating 1975 turnover should rise 10 to 15 per cent. VW gave way Dm.3 to 102.30 and BMW Dm.4.50 to 222.

Public Bonds were very quiet, with declines up to Dm.0.20 predominating. The Dm.600m, eight-year 8 per cent Federal Loan traded at its 98 1/2, per cent price ahead of official issue. Most Mark Foreign Loans rose.

SWITZERLAND—Irregularly lower in light trading, with investors fearing the higher tax burden approved by the Swiss Referendum on June 4.

Banking was quiet. VIENNA—Generally lower in quiet and fairly cautious trading ahead of approaching Regional Elections.

Banks were firmer in active trading.

TOKYO—Prices declined as investors awaited the outcome of the general meeting of OPEC countries in Abu Dhabi.

Voltaire 130m shares. Dealers also said Foreign portfolio investment in Japan may fall now that the forward yen is at a discount on the Foreign Exchange market.

The main losers were Construction, Pharmaceuticals and Trade Firms. Motors and Light Electricals also generally lost ground on profit-taking. Toyota lost 10 to 2,810, and Honda 7 1/2 to 284.

HONG KONG—Prices rose across the board but in decreased trading.

Hong Kong Bank rose 50 cents to HK\$12.10, and Net Losses in the region of 5 to 10 cents. "Heavyweights" were little tested.

Industrials were very steady. AUSTRALIA—Generally irregular in subdued trading, following

the latest political developments in Canberra and also reduced

trading. BHP added 4 cents at \$47.24. Amoco Minerals, Utah and AAR put on 10 and 5 cents respectively.

Oils were generally lower, with Oronox falling 5 cents to 29.

JOHANNESBURG—Gold shares

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lacklustre trading. "Smaller" and

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### INDICES

#### NEW YORK

##### DOW JONES AVERAGES

June 9 337.54 339.05 340.56 342.07 343.58 345.09 346.60 348.11 349.62 351.13 352.64 354.15 355.66 357.17 358.68 360.19 361.70 363.21 364.72 366.23 367.74 369.25 370.76 372.27 373.78 375.29 376.80 378.31 379.82 381.33 382.84 384.35 385.86 387.37 388.88 390.39 391.90 393.41 394.92 396.43 397.94 399.45 400.96 402.47 403.98 405.49 407.00 408.51 410.02 411.53 413.04 414.55 416.06 417.57 419.08 420.59 422.10 423.61 425.12 426.63 428.14 429.65 431.16 432.67 434.18 435.69 437.20 438.71 440.22 441.73 443.24 444.75 446.26 447.77 449.28 450.79 452.30 453.81 455.32 456.83 458.34 459.85 461.36 462.87 464.38 465.89 467.40 468.91 470.42 471.93 473.44 474.95 476.46 477.97 479.48 480.99 482.50 484.01 485.52 487.03 488.54 490.05 491.56 493.07 494.58 496.09 497.60 499.11 500.62 502.13 503.64 505.15 506.66 508.17 509.68 511.19 512.70 514.21 515.72 517.23 518.74 520.25 521.76 523.27 524.78 526.29 527.80 529.31 530.82 532.33 533.84 535.35 536.86 538.37 539.88 541.39 542.90 544.41 545.92 547.43 548.94 550.45 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## FARMING AND RAW MATERIALS

## Australian call to lift wool prices

MONACO, June 9. A MARKED improvement in the price of wool to the grower will be necessary to maintain the size of the Australian clip, Australian Wool Corporation marketing division manager, Mr. Malcolm Waver, told the 44th annual conference of the International Wool Textile Organisation (IWTO) here today.

He expects a slight upward trend in Australian wool production for the remainder of the present decade with a levelling off by 1980. However, he added that this will depend on several factors including a fair monetary return to growers compensating them for inflation.

He told the conference as world demand for wool increases there will be a bigger demand for sheepmeat and beef and therefore in the 1980s some reduction in merino flocks might occur in favour of the fat lamb and general purpose type sheep.

There would therefore be a corresponding increase in the proportion of broader wools in the clip.

Secretary of IWTO statistics committee, Mr. Michael Godfrey, told the conference the wool trade outlook is still uncertain. However, since most countries are now following expansionary economic policies, a slow improvement in wool textile production can be expected by late 1976, he added.

## Paddy output drop of 0.6% forecast

WORLD PADDY production in 1974/75 is estimated at 323m. tonnes, about 0.6 per cent below the 324,829,000 tonnes in 1973/74, the Commonwealth Secretariat Rice Bulletin said yesterday, reports Reuters.

This estimate assumes a 3m. tonne increase in Chinese production. There has been a considerable drop in India's production in 1974/75 but there is still appreciable uncertainty as to its extent. If recent suggestions that the fall was no more than 8 per cent are found to be realistic, the estimate of world production in 1974/75 could finish very close to that of last year, it added.

At the end of April U.S. rice sowings were up to schedule bearing out earlier growers' intentions of maintaining a rice area similar to last year's.

The present dominant feature in international rice trade is an increase in export availability of lower quality rice following the apparent loss by the U.S. of its market in the Khmer Republic (Cambodia) and South Vietnam provided on concessional terms, the bulletin said.

## London market plays white sugar futures contract

BY JOHN EDWARDS, COMMODITIES EDITOR

A NEW type of futures market, to provide hedging facilities for white sugar, is planned to start in London on July 15, it was announced yesterday. The proposed new contract for white sugar will be based on the existing London raw sugar futures market, using a variable conversion rate to cover the difference in price between raw and white sugar.

The collapse of the Paris white sugar market last December has created problems for hedging white sugar deals, since the difference between raw and white sugar values can vary considerably. It is felt in London that some sort of hedging medium must be provided before the forthcoming European beet crop, expected to be bumper, is harvested from October onwards.

To the complicated system of two markets in one has been devised to avoid the trouble and expense of creating an entirely new contract, and also to sidestep direct competition with any relaunching Paris market.

The proposed London "conversion" market could be complete by late 1976, he added.

## Fertiliser demand 'uncertain'

W. VIRGINIA, June 9.

AS LONG as imported oil has a preferential call on limited foreign exchange, purchases of fertilisers and food grains by developing countries will take second place, the Fertiliser Institute's Marketing Conference was told here reports Reuters.

A Mexican fertiliser expert, Sr. Jacinto Avalos, told that last year importing countries paid 90 per cent more for fertilisers than U.S. farmers, while their export prices for agricultural

## World grain prospects

THE OUTLOOK for the 1975-76 world grain crop still appears very favourable despite the adverse weather which hampered autumn sowings in some areas and the cold spring, which slowed development, according to the Commonwealth Secretariat's monthly Grain Bulletin, reports Reuters.

On the 1974-75 crop, the Secretariat puts world production of the main grains (wheat, maize, barley, oats and rye) at around

100m. million tonnes, less than in the previous season, 905m. tonnes, 4.5 per cent less than in 1973-74.

Wheat output in 1974-75 is put at 361m. tonnes, including an estimated 37m. tonnes for China, and is 4.5 per cent down on 1973-74. Output of barley and rye is now estimated slightly greater than in 1973-74, but with maize production calculated to fall by over 9 per cent, coarse grain output is put at 544m.

Under 20-year commodity contracts, set in 1975, Occidental will sell 1m. tonnes of superphosphoric acid (SPA) to the USSR annually. In turn it will purchase from the USSR 1.5m. tonnes of ammonia, 1m. tonnes of urea, and 1m. tonnes of sulphuric acid.

Additionally, Occidental agreed to buy 600,000 tonnes of ammonia a year for 10 years to provide funds for the USSR to repay Export-Import Bank and other loans.

## Record rise in copper stocks

By John Edwards

COPPER PRICES held steady on the London Metal Exchange yesterday despite the announcement of another massive rise in warehouse stocks of 17,000 tonnes—believed to be the biggest ever weekly increase.

LME warehouse stocks of copper have now reached an all-time peak of 266,375 tonnes after rising by over 100,000 tonnes during the past 12 weeks, and there are forecasts of another stocks increase being likely this week as well.

However, the market has become so accustomed to huge stocks, and the possibility of a massive increase in supply, that the price has not fallen as much as anticipated, as on this occasion.

Prices are being held up by anticipation of an explosion in values when industrial demand revives again. But the copper market is still under pressure from the traditionally quiet summer months, and the big build-up in stocks is putting pressure on the market.

A larger than expected rise in lead stocks, up by 1,775 to 41,225 tonnes, was countered by a more persistent buying interest. As expected, zinc stocks fell by 3,825 to 12,275 tonnes, and copper buying helped keep prices steady.

Tin stocks fell by 10 tonnes to 5,905 tonnes, and the market was firmer following the trend in Penang over the week-end.

It was reported from Geneva that no decision on export controls was reached at the international Tin Council meeting yesterday. But the Council will meet again next week.

LME silver stocks rose by 280,000 to 14,210,000 ounces.

## Soviet cotton crop could be a record

WASHINGTON, June 9.

SOVIET COTTON planting has progressed faster than normal, U.S. officials say, and the harvest at least matching the 1974 record output of 12.9m. bales, the U.S. Department of Agriculture Foreign Agricultural Service (FAS) said here, reports Reuters.

At the end of April nearly 7m. acres had been planted, 10 to 15 per cent more than at that stage in the previous three years and 97 per cent of the 1974 area, the FAS said, citing Soviet Press reports.

## Serious negotiations can now begin

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE AFFIRMATIVE vote in the referendum will mark the beginning of serious negotiations for the future shape of the Common Agricultural Policy and Britain's part in it. For, in spite of the claims of Mr. Peart that the changes have been achieved through re-negotiation, these were in essence temporary and the basic principles of the Common Agricultural Policy and intervention buying still remain on the statute books of the EEC.

The only way in which these could be altered substantially would be if the review of the CAP which is due this summer and autumn changes the direction in which the policy has been going up till now.

It is worth remembering at this point that the original purpose of the policy was to raise the incomes of the farming populations in Europe to the level of those in industry by various means including resettling farmers, the restructuring of farms and so on.

Members involved in European farming have more than halved since 1960 but this has been due almost entirely to national and not Community measures. The bulk of the money contributed to agriculture from the Community budget has gone to price support in various forms.

There are forces in the Community, notably Germany, where this is realised and pressure is likely from this and other directions to reduce the burden on farmers. In the case of milk, can only mean by some limitation of future production increases, applicable to all members.

Any move of this sort is bound to run counter to the British Government's policy of "Food from Our Own Resources", which called among other things for an increase of 20 per cent of milk production. It must be realised that although the visible butter

"mountain" has disappeared for the time being, nearly 500,000 tons of Community butter was disposed of in 1974 by direct subsidies of various kinds, more than 300,000 tons coming to the U.K. By 1978 prices should be harmonised between all member countries and the effect of the increase in Community price levels will probably mean a fall in British consumption, according to the trade of about 40 per cent.

This would mean about 200,000 tons which would have to go to intervention or be disposed of through consumer subsidy or replace the New Zealand quota of 133,000 tons for which there is no guaranteed access after 1977.

## Dairy trade

Politicians at the recent Dublin summit reaffirmed their support for the New Zealand quota, but leaders of the dairy trade in all EEC countries make no secret of their belief that the quota must not be exceeded. So the U.K. Government will be in the contradictory position of attempting to increase the Community surplus while at the same time supporting New Zealand's case and increasing British production.

Mr. Peart has made no secret of the fact that he would like to see a return to some sort of deficiency payment scheme for beef in times of glut. The present beef premium scheme has only a year to run, and there are no indications that the other members of the Community intend to continue any longer than that. Mr. Lardinois has gone on record several times to the effect that deficiency payments will not be suitable for the Community as a whole for products in over supply.

At the moment there are no regulations and hence no free trade for lamb or potatoes, but the Commission has, under French pressure, agreed to produce one for the former this summer. Any such measure would probably entail an increased duty on New Zealand lamb coming into Britain above the 20 per cent to which it will rise in any case by 1977. Present Government thinking is that this is high as already because of the effect on the cost of living here, and on New Zealand's economy should it become more expensive.

A regulation for potatoes would have the effect of truncating the activities of the Potato

Marketing Board and raises once again the future of the Milk Marketing Board. This, a monopoly body which has no parallel in the Community, is quite palpably against the rules at present constituted.

The Government is also under pressure from British farmers and the Irish to do what is called the Green Pound as against the Unit of Account. Such a move would, if fully accomplished, raise farm prices fixed in U.K. terms by between 15 and 20 per cent. Although farmers would be happy, the consequent effects on the cost of living would make things very difficult for the Government.

It is probably wishful thinking for farmers to expect any substantial devaluation of the Green Pound at the present time when currencies are not fixed. The likelihood is that any readjustment will probably be a minor one, perhaps 5 or 10 per cent. Mr. Peart's task is a daunting one. His defence of their interests will be watched apprehensively by farmers in Britain, who are well aware that for the rest of the Community Britain's market seems to be the obvious destination for surpluses of butter, cheese, cereals, beef and whatever is in surplus at the moment.

There is nowhere else in the world open to them, and if there had not been a British market, it would have had to be invented. But this very fact, which is little understood here, may be Mr. Peart's main asset in future bargaining.

## Farmers urged to reveal potato stocks

POTATO PRODUCERS with stocks still on the farm were yesterday urged by the National Farmers Union to make their position known to merchants.

The advice came from the NFU following suggestions that import licences for ware type of potatoes may be issued to ease the current shortage of old potatoes suitable for processing and also for ware type.

An NFU spokesman commented: "We are confident that there are enough main crop potatoes from last year's stocks still on U.K. farms to supply the current market demand."

## COMMODITY MARKET REPORTS AND PRICES

## BASE METALS

COPPER

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
Frankfurt	215.5	215.5	215.5	215.5
Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

ZINC

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
Frankfurt	215.5	215.5	215.5	215.5
Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

NICKEL

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
Frankfurt	215.5	215.5	215.5	215.5
Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

LEAD

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
Frankfurt	215.5	215.5	215.5	215.5
Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

SILVER

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
Frankfurt	215.5	215.5	215.5	215.5
Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

GOLD

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
Frankfurt	215.5	215.5	215.5	215.5
Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

PLATINUM

	Official	Unofficial	Official	Unofficial
London	215.5	215.5	215.5	215.5
Amsterdam	215.5	215.5	215.5	215.5
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Paris	215.5	215.5	215.5	215.5
Stockholm	215.5	215.5	215.5	215.5
Zurich	215.5	215.5	215.5	215.5

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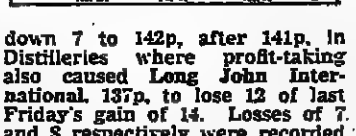
## SILVER



## Further profit-taking brings widespread setback

### Index down 9.7 at 352.3, after 347.5—Golds lower

Norwegian authorities regarding certain refining and marketing activities of BP in that country were not really a factor. Ekram slipped 7 to 215p and British-Bornes 8 to 158p, but Berry



Discount months Deposits	Treasury bills %	Bank bills %	First trust bills %
3-6-9%			
9-12-15	9 1/2-9 3/4	9 1/2-9 3/4	10-11
18-24-30	9 1/2-9 3/4	9 1/2-9 3/4	10 1/2-11
36-54-72	9 1/2	9 1/2-9 3/4	10 1/2-11
		10 1/2	10 1/2-11 1/2

Over 25.00% 1 1/4%  
Deposits Bank Rate 9 1/2%  
Demand deposits 7 1/2%

**I.G. INDEX**  
GOLD 165-168

**CORAL INDEX**  
Close 325-327

**INSURANCE BASE RATES**

Long-term fixed annuities mortgage rates per cent. & Bank bill rates & 3-month trade bills 102-111	11 1/2%
9-12-month 9 1/2 per cent. three-month 9 1/2	9 %
18-24-month 9 1/2 per cent. and three-month 9 1/2 per cent.	
36-54-month 9 1/2 per cent.	
1-2 year 10 1/2 per cent. 3-5 year 11 1/2 per cent.	
6-12 month 11 1/2 per cent.	

Address above under Insurance and Property Dept. 1016

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## Second White Paper hint on Industry Bill

BY JOHN HUNT

THE GOVERNMENT is considering the highly unusual possibility of publishing a second White Paper on the Industry Bill, even though the legislation has had a Second Reading in the Commons and is due to finish its protracted and bitterly-fought committee stage by next Thursday.

In a brief answer in the Commons yesterday Mr. Anthony Wedgwood Benn, the Industry Secretary, said that the Government was considering the possibility in the light of the review of the Bill which it has undertaken.



Mr. Wedgwood Benn

### Explanation

Mr. David Crouch, Conservative MP for Canterbury, one of the leading Conservatives on the Industry Bill committee, who had put the question to Mr. Wedgwood Benn, described his answer as a "remarkable revelation."

It was emphasised in White-hall later that the final decision has been taken on the matter. The purpose would be to provide a fuller explanation to industry about the workings of the planning agreements and the requirements for compulsory revision of company information.

Mr. Benn's words have aroused strong suspicions on the Left of the party that the real intention of a second White Paper would be to water down some of the more controversial proposals in the Bill.

White Papers set out a Government's firm legislative intentions, unlike Green Papers, which are merely discussion documents on a proposal. There would seem little point in issuing a second White Paper unless it contained changes from the original Bill.

The Opposition has made great play with the allegation that the Industry Bill has already departed from the original proposals contained in the White

Paper, the Regeneration of the British Industry. It claims that Mr. Harold Wilson had given an undertaking that this would not happen.

The charge that Mr. Wilson has broken his word has been consistently denied by the Government. This makes the issuing of a second White Paper at this late stage an even more unusual departure.

Mr. Michael Meacher, the Industry Under-Secretary, answering Commons questions just before Mr. Wedgwood Benn, recalled that the Government had promised to have consultations with both sides of industry about the best means of implementing planning agreements.

He was immediately challenged by Mr. Eric Heffer (Lab., Walton) who was in charge of the Industry Bill as Minister of State for Industry until his recent sacking by Mr. Wilson.

Clearly suspicious about the Government's current intentions on the Bill, he asked for an undertaking that there would be "no retreat on the part of the Government in the face of CBI opposition."

Mr. Meacher assured him that there would be "no secret changes" in the Bill. There would be full discussions about any further representations made by either side of industry following the clarification of points which had been made in the committee.

Disclosure and the Bill, Page 18  
Parliament, Page 16

## Herstatt \$16m. for Hill Samuel

BY MICHAEL BLANDEN

HILL SAMUEL, the London merchant bank, is recovering some \$16.25m. of its losses from last year's Herstatt bank collapse as part of a total payout in New York reckoned at about \$173m.

The final court order, it is understood, was signed yesterday in New York which has the effect of releasing Herstatt funds held there, mainly with Chase Manhattan Bank. A total of 34 creditors are expected to benefit, including a number of leading U.S. banks as well as Hill Samuel.

These are likely to include First National City Bank, which has been associated with Hill Samuel in efforts to recover losses; Morgan Guaranty Trust; Bank of America; Chase itself; Seattle First National Bank; and First National Bank of Chicago.

Details are expected to be announced to-day, when Hill Samuel is to publish its preliminary results for the past year. The settlement should mean that the bank will have recovered some \$2 per cent. of its expected losses of around \$19.5m. on the Herstatt situation.

This is likely to be regarded as highly satisfactory just under a year since the problem first arose, and after Hill Samuel has made strenuous efforts in both the U.S. and West Germany to recover its losses.

The deal is likely to mean that Hill Samuel's net loss after tax relief as a result of the Herstatt situation will be cut from the \$15.5m. estimated last October to \$900,000. The bank provided \$2m. from inner reserves against the possible cost of the affair.

The settlement follows the collapse of Bankhaus I. D. Herstatt in last year. This left Hill Samuel with an apparent gross loss of \$21.5m. as a result of uncompleted spot foreign exchange transactions. This sum, equivalent to some \$2m., was reduced to around \$19.5m. (\$8.3m.) as a result of offsetting Herstatt deposits held by Hill Samuel in Germany.

Earlier this year an agreement was reached among a number of the Herstatt creditors who had filed claims in New York, which would enable funds held in New York to be released. The funds involved have been mainly held by Chase, which was Herstatt's U.S. banker.

## Norway may buy BP stake for £27m.

BY ADRIAN HAMILTON

BRITISH PETROLEUM is negotiating to sell its main Norwegian refining and marketing interests to the Norwegian Government for a cash offer of some 300m. Norwegian Kroner, or around £27m.

Negotiations are taking place between Norsk Braendseleolie, owned 50 per cent. by BP and 50 per cent. by private Norwegian interests, and the Norwegian Government.

They involve the sale of Norsk Braendseleolie's 49 per cent. interest in the new Mongstad 80,000 barrel-a-day refinery on the west coast of Norway; a chain of just under 1,000 petrol outlets; a chain of depots and sales facilities; and a 30,000-ton product tanker under construction and other ships. Under the Government offer, the full assets of the company would be valued at over £20m.

Despite statements in London and Oslo yesterday emphasising that negotiations were still proceeding and that parliamentary approval as well as shareholder approval would be required for the deal, it seems that BP at least is enthusiastic about the deal.

Much less clear is the position of BP's partners in Norway. One radio report in Oslo yesterday suggested that the largest shareholders, with some 18 per cent. of the company, would accept that just the remaining 32 per cent. might be kept in private hands.

Mr. K. Askvib, managing director of the company, refused to comment beyond confirming that negotiations were taking place and that the deal would be completed in August.

The deal, which could still come unstuck in the Norwegian Storting, where it has come under attack from all the non-

Socialist parties, essentially meets both the Norwegian Government's desire for a strong immediate presence in refining and marketing and BP's desire to reform its Norwegian interests on wholly owned lines.

Although participating in exploration and development as well as petrochemical investment and gas production, Statoil, the Norwegian State oil group, has so far lacked a forceful presence in "downstream" oil operations in Norway.

Talks to enable it to share refining and marketing facilities have, therefore, been pursued with several companies over the last year and more, including with Esso at the end of last year.

BP, on the other hand, has recently radically altered from being a relatively passive partner in Braendseleolie, one of the oldest oil companies in Norway, to a much more aggressive stance, not always in harmony with its Norwegian partners.

In a statement last night, however, the company also made it clear that it planned to set up a 100 per cent. owned "operation" in Norway dealing in "various product lines where we have special expertise and international connections."

The main question now is the private and parliamentary response to the move in a situation where everybody is clearly highly embarrassed by the leak of the talks in yesterday's Norwegian press.

At 300m. N. Kroner for BP's direct share, the Government's offer would value the whole of the Braendseleolie operation at around £55m.—a fairly attractive price under to-day's marketing conditions.

## New Zapex find in Moray Firth area

BY ADRIAN HAMILTON

ANOTHER "encouraging" oil discovery has been made in the East Moray Firth region of the North Sea. The latest discovery, announced yesterday, is by the Zapex group on Block 21/2, some 10 miles east of the recent Transworld find on 21/1.

In a particularly complex geological area the group, which includes the U.K. Carless Exploration concern, must drill several more wells before it can be confident of the likely size of its discovery.

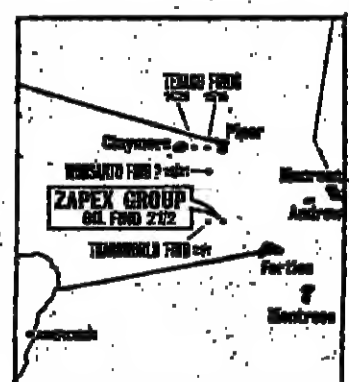
Preliminary indications, however, would appear reasonably encouraging. The find has been made in Jurassic sands, and according to the statement yesterday oil was tested at the rate of 5,540 barrels a day from two zones.

It follows a series of other Jurassic discoveries in the same general area, including the Pan Ocean Brae find on 18/7 to the north-east; the Occidental Claymore discovery; and the two nearby Texaco finds directly to the north: the Transworld find immediately to the west; and the reportedly encouraging find by Mossanto-Deminx on its drilling on 15/21.

The problem for all the companies in this region is partly the difficulty of defining the structures from seismic surveys, partly the high degree of faulting, which makes extensive individual finds especially difficult; and partly the quality of the Jurassic sands, which tend to present contradictory results from different intervals in the producing horizon.

For all these reasons the operators are finding that they have to drill a number of wells on any discovery before they can be fully confident of the commercial prospects for development.

Partners in the latest discovery include the U.S. Zapata Exploration Company, as operator, with 25 per cent.; Clinton International, with 35 per cent.; Bonin, with 10 per cent.; Canadian Export Oil and Gas, with 10 per cent.; Hadson Oil, with 5 per cent.; Acmin Exploration, with 5 per cent.; and Carless Exploration, with 5 per cent. and Carless Capital, with 5 per cent.



## U.S. oil plan "inadequate"

BY RICHARD JOHNS

LIBREVILLE, June 9.

NEW U.S. proposals designed to lay the basis for a dialogue between producers and consumers were rejected as "not adequate" by Mr. Belaid Abdessalam, Algerian Minister of Industry and Energy, at the start here of the conference of the Organisation of Petroleum Exporting Countries.

He indicated clearly that Algeria would maintain its

tough insistence that oil and raw materials should be treated on an equal basis despite the fact that other producers—namely Saudi Arabia, Iran and Venezuela—"appear" to have seen in the speech by Dr. Henry Kissinger, U.S. Secretary of State, a way out of the impasse reached at the abortive preparatory meeting in Paris in April.

He forecast that in 1975-76, the year just started, the Government's total subsidy would be \$1,000m., of which the Post Office element was \$330m.—the size of its deficit.

However, the Post Office had reported a substantial deterioration in its financial prospects for 1975-76, mainly due to accelerating inflation. Mr. Barnett said, "Discussions were therefore taking place between the Government, the Post Office, and the unions to see what steps could be taken. The Post Office was looking for further sensible economies, but these would not be enough to cover the deficit."

The need for a new round of cost savings was fore-shadowed by Mr. Joel Barnett, Chief Secretary to the Treasury, in the Commons, yesterday.

## Gold compromise hope at Paris IMF talks

BY ROBERT MAUTHNER

PARIS, June 9.

IN SPITE of a continuing clash between the U.S. and France over international monetary reform and particularly over the future role of gold, prospects for a compromise agreement at the meeting of the IMF's Interim Committee, starting here tomorrow, were considered to-night to be fairly good.

The general view among officials of the other industrialised countries is that if the Americans and the French can sort out their differences, it will not be too difficult to persuade their international monetary fund partners to endorse the compromise.

It is, however, possible that the developing countries will throw a spanner into the works even though the so-called Group of 24, which represents them, to-night issued a communiqué stating that they had rejected all of the proposals so far put forward on the disposal of gold held by the Fund.

"No arrangements with regard to gold would be acceptable that are not designed to raise substantially the flow of financial resources to developing countries without imposing a loss on any individual developing country," the communiqué said.

Several compromise proposals, including one fathered by Dr. Johannes Witteveen, IMF Managing Director, were being circulated among delegations to-night.

The one thing they have in common is that both governments agree that at least some of the gold must be used to help developing countries. Under one of the compromise proposals, which is said to have been sponsored by the IMF, the bulk of the Fund's gold holdings—some 75 per cent.—would remain in the IMF's hands, 10 to 15 per cent. (15m. to 20m. ounces) would be given back to the member States at the option of the IMF, and the remaining 15 per cent. would be used to subsidise interest rates on loans to developing countries under the IMF's oil facility and to finance other types of aid to the Third World.

One of the most significant steps which the Government could take to help the increases now on the horizon is for it to accept the Post Office's long-standing argument that the State should take over some of the burden of the pension scheme. The pension deficiency in the year which has just ended is thought to have been around £100m.

In addition, the Post Office is likely to revive its proposals for cost savings through changes in the present service, first put to the POUNC four years ago.

In a report to the users' council which was turned down by Lord Peddie, the council's

chairman, and its members, Sir William Ryland, the Post Office chairman, suggested three main changes:

1—Fewer evening and week-end collections.

2—One letter delivery a day in town and country areas, spread over a longer delivery period.

3—The abolition of Saturday parcel delivery.

These changes are likely to be suggested again but with the addition of more alterations aimed at cutting costs.

Negotiations with the unions on cost saving measures such as the virtual elimination of overtime wherever possible and an abandonment of automatic recruitment and replacement procedures are nearing the decision stage.

The need for a new round of cost savings was fore-shadowed by Mr. Joel Barnett, Chief Secretary to the Treasury, in the Commons, yesterday.

Mr. Barnett announced that the total compensation to be made available to all nationalised industries in the financial year 1975-76 was £550m., of which the Post Office element was £330m.—the size of its deficit.

He forecast that in 1975-76, the year just started, the Government's total subsidy would be \$1,000m., of which the Post Office element was \$330m.—the size of its deficit.

However, the Post Office had reported a substantial deterioration in its financial prospects for 1975-76, mainly due to accelerating inflation. Mr. Barnett said, "Discussions were therefore taking place between the Government, the Post Office, and the unions to see what steps could be taken. The Post Office was looking for further sensible economies, but these would not be enough to cover the deficit."

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## THE LEX COLUMN

# Irish message for the Big Four

Unlike the English Big Four clearing banks, which were extremely reticent on the subject of inflation accounting, Bank of Ireland has laid it on the line. Although the historic cost accounts show a rise in attributable earnings from £7.7m. to £9m. for the year to March, some 98 per cent. of this amount is eliminated in the CPP statement. The bank points out that almost the entire dividend has thus had effectively to be paid out of capital, taking £2m. off real net worth—though the directors believe the dividend should nevertheless be paid because the bank "cannot discriminate against stockholders." The stockholders, incidentally, put £10m. into the bank last year through the rights issue of Convertible.

Bank of Ireland is not alone among banks in suffering from inflation, but the effects are surprisingly inconsistent. New figures from Phillips and Drew, for instance, suggest that on forecast 1975 profits (about 4 per cent. down on the historic cost pre-tax profits basis) Barclays will also suffer a 100 per cent. wipeout of earnings in its CPP statement, while National Commercial will bear a four-fifths reduction; on the other hand, Lloyds' real earnings will only be a 52nd below the historic cost version.

The key lies in the quality of the various balance sheets, and particularly in the real capital ratio excluding all loan stocks—which is basically a measure of the free liquidity in the bank provided by shareholders. Cash deposits vary fast at times of high inflation, so those banks with conservative ratios—1.9 per cent. for Barclays last December, 2.7 per cent. for Bank of Ireland—suffer a rapid erosion. At the other extreme Lloyds, with free capital last December of only 0.2 per cent. of deposits, comes out well.

At home, retail (Fine Fare) and wholesale distribution can presumably expect some inflation-linked progress in the current year after an unchanged performance in 1974-75. ABF is not going to lose any sleep over its milling operations either, and the group is claiming considerable strength among what the market is counting on after the remarkable relative share price strength of the last for 1975-76 is clearly baking—two years.

### Index fell 9.7 to 352.3

This should not, of course, be an argument for banks operating without free capital. But it is an example of the general rule that inflation is unkind to the prudent, and the Bank of England needs to bear the argument in mind in its consideration of banking ratios in general. Meanwhile, International wing of Barclays, shortly to issue \$35m. of Euro-dollar Notes, is evidently willing to gear up a little.

### AB Foods

Associated British Foods has accelerated between the two halves of 1974-75 to emerge 15 per cent. ahead at \$45.5m. before tax. The year's trading mix takes in a setback in Australia which has limited overseas growth to well under a tenth but non-brand manufacturing at home has been good enough to keep the overall profit trend relatively buoyant.

Naturally, these earnings savings have eroded ABF's much vaunted overseas profit ratio, which had risen to roughly 45 per cent. in 1973-74. But South Africa again performed very strongly and Australia—almost a third of the overseas total in 1973-74—looks to be over the worst; price rises there are coming through more quickly even if volume (static last year) remains a problem.

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The half-year advance rises increases in most of the divisions, though a particularly strong performance has come from the West African tea activities, notably in current booming Nigeria. This year should continue throughout the rest of 1974-75 with some sterling to come in the fourth quarter. So the full-year of come should be at least £100m., against £46.5m. which together with the redeployment of the strong cash resources what the market is counting on after the remarkable relative share price strength of the last for 1975-76 is clearly baking—two years.

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## Weather

### U.K. TODAY

DRY, long sunny periods. London, Midlands, Cent. N. England.

Dry, sunny periods. Wind N.E., light or moderate. Max. 24C (75C).

E. Anglia, E. and N.E. England. Dry, sunny periods. Fog patches near coast at first. Wind N.E., moderate. Warm inland. Max. 22C (72F) but normal 15C (59F) on coast.

S.E., S.W. and Cent. S. England, Channel Is.

Dry, sunny periods. Wind N.E., light or moderate. Max. 23C (73F).

Wales, N.W. England, Lakes, I. of Man, S.W. Scotland, Glasgow, N. Ireland.

Dry, sunny periods. Wind E., light. Max. 25C (77F).

Borders, Edinburgh, E. Scotland, Aberdeen, Moray Firth, N.E. Scotland.

Dry, sunny periods. Cloud or fog at first. Wind E., light. Very warm inland. Max. 20C (68F).

Cent. Highlands, Argyll, N.W. Scotland.

Dry, sunny periods. Wind E., light. Max. 22C (72F).

Orkney, Shetland.

Dry, sunny periods. Wind E., light. Max. 16C (61F).

Outlook: Little change.